

United States District Court Southern District of Texas

Case Number: H-06-1853

ATTACHMENT

Description: Memorandum of Law in support of
Plt's Motion for preliminary injunction

☐ State Court Record

☐ State Court Record Continued

☐ Administrative Record

☐ Document continued - Part 3 of 8 ||

☐ Exhibit to: _____
number(s) / letter(s) _____

Other: _____

H - 06 - 1853

DECLARATION OF BRADY BREWER

1. I am the director of Marketing for Starbucks Corporation ("Starbucks"). Except where otherwise noted, I have personal knowledge of the facts set forth herein, and if called as a witness, could and would competently testify thereto.

STARBUCKS AND ITS PRODUCTS

2. Starbucks was founded in Seattle, Washington in 1971. Over the past 34 years, Starbucks has grown from a single coffee shop in Seattle's Pike Place market to over 11,000 retail locations in the United States, Canada and 37 foreign countries and territories, including Australia, Austria, Bahrain, Chile, China, Cyprus, France, Germany, Greece, Hong Kong, Indonesia, Japan, Korea, Kuwait, Lebanon, Macau, Malaysia, Mexico, New Zealand, Oman, Peru, the Philippines, Puerto Rico, Qatar, Saudi Arabia, Singapore, Spain, Switzerland, Taiwan, Thailand, Turkey, the United Arab Emirates and the United Kingdom. Starbucks also supplies premium, fresh roasted coffees to hundreds of restaurants and other accounts throughout the world. Starbucks' revenues for fiscal year 2005 were 6.4 billion, a substantial increase over fiscal 2004 revenues of \$5.3 billion. Starbucks is now the largest and best-known purveyor of specialty coffees and coffee products in North America.

3. Starbucks' growth and achievements in recent years have attracted tremendous attention in the news media. Hundreds of articles have been written about the company over the last few years, adding to widespread awareness of Starbucks and its products among consumers. Attached hereto as **Exhibit A** are copies of representative articles about Starbucks and its products.

4. The key to Starbucks' phenomenal success is the consistent high quality and strong reputation of its fresh roasted specialty coffees, brewed coffee and espresso beverages and

the other products and services it provides, which are associated by consumers with the Starbucks® name and trademarks. Starbucks has a reputation for excellence, particularly in the area of roasted coffees and brewed coffee beverages, and is widely recognized for its knowledgeable staff and superior service.

STARBUCKS' FAMOUS TRADEMARK

5. Since 1971, Starbucks has used the well-known "STARBUCKS" trademark to identify its goods and services. For 34 years, Starbucks has used the trademarks Starbucks® and Starbucks Coffee® (collectively, the "Starbucks Mark") and iterations of the Siren Logo® both to identify its goods and services and as the name of the company. The Starbucks Mark and the Siren Logo® are the subject of approximately 60 trademark registrations issued by the United States Patent and Trademark Office, many of which are incontestable, and have been registered in 134 foreign countries. Attached hereto as **Exhibit B** are copies of these registrations. Moreover, because it is an original artistic work, the Siren Logo® has been registered with the United States Copyright Office as Reg. No. VA 875-932. Ownership of the trademarks in the Starbucks Mark and the Siren Logo® is vested in Starbucks U.S. Brands L.L.C., a wholly owned subsidiary of Starbucks Corporation, and a co-plaintiff in this action. Starbucks Corporation owns the Siren Logo® copyright and is a licensee of all the trademarks owned by Starbucks U.S. Brands L.L.C.

6. Starbucks has spent substantial time, effort and money advertising and promoting the Starbucks Mark and the Siren Logo® throughout the United States and elsewhere:

7. Starbucks owns, or operates through affiliates and licensees, more than 7,900 retail stores in North America under the trade names "Starbucks Coffee Company" and "Starbucks Coffee." In addition, there are currently over 3,000 Starbucks retail stores located in

37 foreign countries. Approximately 40 million customer transactions per week take place at Starbucks locations worldwide. These Starbucks stores carry a full line of premium coffee, cappuccino, espresso-based beverages and teas brewed and served on premises, blended beverages, 40 different varietals of Starbucks® brand roasted coffees, baked goods and confections, and other branded merchandise. Each store prominently displays the Starbucks Mark and the Siren Logo® on exterior signage and at multiple locations within the store.

8. Starbucks distributes several exclusive coffee blends, Starbucks® brand ice cream, bottled Frappuccino® and Starbucks DoubleShot® coffee drinks to grocery stores and similar retailers nationwide. Each of these products prominently bears the Starbucks Mark and the Siren Logo®.

9. Starbucks has licensed Host Marriott Services Corporation to operate more than 270 coffee kiosks ("Starbucks Kiosks") in major airports and other locations in the United States and Canada. The Starbucks Kiosks sell Starbucks® brand coffees and other beverages prepared on site in accordance with strict beverage preparation and quality control procedures established by Starbucks, which are intended to maintain the high and consistent standards imposed by Starbucks on its own stores. The Starbucks Kiosks utilize the Starbucks Mark and the Siren Logo® in a manner similar to that employed in Starbucks-owned retail outlets.

10. Starbucks® coffees are served from dedicated retail areas located in over 590 Barnes & Noble Bookstores ("B&N Cafes"). B&N Cafes serve Starbucks® brand coffee and espresso beverages brewed on site in accordance with quality standards and procedures established by Starbucks, and prominently display the Starbucks Mark and the Siren Logo®.

11. Starbucks has entered into similar license agreements with major U.S. supermarkets, such as Safeway, Fred Meyer, Super Target and Albertsons, through which

Starbucks locations are operated within the supermarkets. These locations prominently display the Starbucks Mark and the Siren Logo[®].

12. Starbucks sells its coffee to and through hundreds of other Authorized Resellers, including restaurants, airlines, sport and entertainment venues, motion picture theaters, hotels and cruise ship lines, including the following:

- (a) Starbucks[®] coffee is served on all United Airlines flights worldwide. United operates more than 3,400 flights a day to more than 200 domestic and international destinations from its hubs in Los Angeles, San Francisco, Denver, Chicago and Washington, D.C.
- (b) All corporate owned Sheraton and Westin Hotels in the United States offer complimentary Starbucks[®] coffee in each guest room, as well as on their room service, restaurant and banquet menus.
- (c) Starbucks permits each of the foregoing customers to indicate on their menus and in certain promotional materials that they are serving Starbucks[®] brand coffees, and to use the Starbucks Mark and the Siren Logo[®] on cups and coffee dispensers and in promotional materials.

13. Starbucks operates an Internet Web site (<www.starbucks.com>) that generates over 500,000 “hits” from visitors per week. The Starbucks Mark and the Siren Logo[®] are incorporated into many of the individual “pages” within this site, and are displayed on much of the branded merchandise offered for sale on-line.

14. Starbucks offers reloadable multi-use cards—Starbucks Cards—for sale to the public through a variety of channels including but not limited to Starbucks-owned retail facilities, Starbucks’ Web site <starbucks.com>, Starbucks-licensed stores, authorized retailers

(such as grocers and drug stores) and authorized Web sites such as Shutterfly.com, sendoutcards.com and touchpoint.com. Each of these channels of distribution is authorized by Starbucks and is in strict compliance with Starbucks' policies regarding distribution of Starbucks Cards.

15. As a result of the foregoing and similar use and promotion, the Starbucks Mark and the Siren Logo[®] have become famous and highly distinctive trademarks.

THE BROAD PUBLIC DISSEMINATION AND AWARENESS
OF THE STARBUCKS MARK AND THE SIREN LOGO[®]

16. The Starbucks Mark and the Siren Logo[®] are both extremely well known and highly regarded. The broad and positive recognition that the Starbucks Mark and the Siren Logo[®] enjoy is a result of the wide dissemination the Starbucks Mark, the Siren Logo[®] and related trademarks receive, Starbucks' substantial investment of time, effort and money in the selection and roasting of the highest quality coffees available, thorough training provided to Starbucks' employees, and Starbucks' substantial investment of time, effort and money in the promotion of its products. Interbrand, a leading international branding consultancy firm, has identified "Starbucks" as one of the 100 most valuable brands in the world for the last three years in a row. *See Exhibit A.*

17. From the fiscal years 2000 to 2005, Starbucks has spent over \$285 million on advertising, promotion and related marketing activities in North America. These activities have included television and radio commercials, print advertising and in-store displays. Virtually all of Starbucks' advertising prominently features (or, in the case of radio, mentions) the Starbucks Mark and the Siren Logo[®], which Starbucks considers to be critical to the maintenance of its positive public image and identity.

18. In recent years, Starbucks products or retail stores have been featured prominently in a number of popular motion pictures and television shows. For example, the films *Miss Congeniality*, *Best in Show*, *Kate & Leopold*, *Zoolander*, *I Am Sam*, *Austin Powers 2 - The Spy Who Shagged Me*, *Austin Powers in Goldmember*, *The Muse*, *Bowfinger*, *You've Got Mail*, *Michael*, *13 Going on 30*, *Hitch*, *Meet the Fockers*, *The Terminal*, *The Interpreter*, *How to Lose a Guy in 10 days*, *Guess Who*, *Madagascar*, *The Sentinel*, the 1999 Grammy Awards, the 1999 Sundance Film Festival and the television shows *The Sopranos*, *The Oprah Winfrey Show*, *The Rosie O'Donnell Show*, *The Late Show*, *The Tonight Show*, *Boston Public*, *Ally McBeal*, *Six Feet Under*, *The West Wing*, *The Comeback*, and *The Office*, which have been seen by millions of viewers in theaters or on television or video, each have contained scenes in which the Starbucks Mark and/or the Siren Logo® are prominently displayed.

STARBUCKS' POSITION AS A "PREMIUM" BRAND

19. I am familiar with the strategy Starbucks uses to position itself and its products in the marketplace. The essence of that strategy is to develop and maintain a "premium" or "best of class" image, which appeals to consumers for whom quality is among the most important aspects of a purchase decision. In my experience, consumers who would consider buying Starbucks' products rely to a large degree upon the company's reputation in deciding whether its products are good enough to meet his or her personal quality standards.

20. Starbucks considers maintenance of its premium image to be particularly important in light of the development of the coffee and beverage market over the last several years. Starbucks faces competition from many large, highly regarded companies, and numerous smaller, regional competitors, each of which targets coffee drinkers who are brand conscious and who are willing to pay a little more for a product with a premium reputation.

DEFENDANTS' USE OF THE STARBUCKS MARK AND THE SIREN LOGO®

21. Starbucks first discovered Defendants' "FREE" "\$250 Starbucks® Gift Card" email and Internet promotions in relation to "YourSmartRewards.com," each of which were improperly using the Starbucks Mark and the Siren Logo®. The mass emails displayed the Starbucks Mark in the subject line and/or in the sender address of the email. In addition, the text of the email as well as the linked interactive Web site, <yoursmartrewards.com>, displayed both the Starbucks Mark and the Siren Logo®. Attached hereto as **Exhibit C** is an exemplar of the email promotions and Interactive Web sites distributed by YourSmartRewards.com.

22. Despite the advertisements' claims, the promised cards were not, in fact, "free." Hidden in fine print is the requirement that the consumer seeking the "free" gift provide personal information, respond to lengthy questionnaires and enroll in numerous promotional offers relating to various other companies, many of which require payment of a fee. Therefore, Defendants' advertisements which state that its gift cards are "free" are false, as these allegedly "free" gift cards require the payment of money as well as the completion of numerous other requirements.

23. Starbucks contacted YourSmartRewards.com and demanded, among other things, that YourSmartRewards.com and any of its subsidiaries and/or affiliates cease all use and refrain from any future use of the Starbucks Mark and the Siren Logo®. Attached hereto as **Exhibit D** is a copy of this demand letter. After a significant delay, counsel for YourSmartRewards.com responded, failing to make all the representations requested but rather narrowly stating that the company would "cease use of the Starbucks name in our distribution of this promotion." Attached hereto as **Exhibit E** is a copy of YourSmartRewards.com's response. For some period

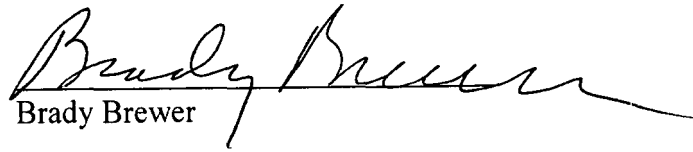
of time thereafter, it appeared that the YourSmartRewards.com promotion had been discontinued.

24. However, less than eight months later, Starbucks discovered a nearly identical promotion involving a false offer of “free” Starbucks Cards at the URL <exclusivegiftcards.com>. Attached hereto as **Exhibit F** is an exemplar of the email promotions and Interactive Web sites distributed by ExclusiveGiftCards.com. On January 18, 2006, Starbucks contacted Exclusive Gift Cards and demanded, among other things, that Exclusive Gift Cards cease all use and refrain from any future use of the Starbucks Mark and the Siren Logo®. Attached hereto as **Exhibit G** is a copy of the January 18 letter from Starbucks’ counsel to Exclusive Gift Cards. Counsel for Exclusive Gift Cards, which was the same as counsel for YourSmartRewards.com, responded and indicated that: “Both YourSmartRewards and ExclusiveGiftCards are fictitious names we use for different website promotional channels.” Attached hereto as **Exhibit H** is a copy of this communication. After several further communications, counsel for Exclusive Gift Cards provided a final response via email on March 17, 2006. In that email, Exclusive Gift Cards acknowledged the conduct described in Starbucks’ prior correspondence, claimed that its conduct was “well within the law,” refused to agree to stop the offending activity, and stated that it would be open to discuss a license arrangement with Starbucks. Attached hereto as **Exhibit I** is a copy of Defendants’ March 17 final response.

25. Defendants are not affiliated with or sponsored by Starbucks and have not been authorized to use the Starbucks Mark or the Siren Logo®. Defendants’ advertisements and promotional emails and interactive Web sites are not sponsored by, authorized by or affiliated with Starbucks.

I declare under penalty of perjury of the laws of the United States that the foregoing is true and correct.

Executed this 5 day of May, 2006, at Seattle, Washington.


Brady Brewer

EX A

Creating and managing
brand value

Interbrand

As seen in BusinessWeek, August 6, 2001

BONUS: OUR SUPPLEMENT ON E-BUSINESS

www.businessweek.com

BusinessWeek

AUGUST 6, 2001

A PUBLICATION OF THE MCGRAW-HILL COMPANIES

Investing

How our
Wall Street
column
performed

Global Summit

The fallout for
corporations
after Genoa

Xerox



Anne
Mulcahy
takes
charge

Indonesia

Can a new
leader save the
economy?

THE BEST GLOBAL BRANDS

Our first ranking
of the world's
most valuable
brands

PAGE 50



AOL Keyword: BW

EXHIBIT

Brewer A

Men's Wearhouse v.
Exclusive Gift Cards

As seen in BusinessWeek, August 6, 2001

COVER STORY**THE BEST GLOBAL BRANDS**

They're everywhere, but putting a dollar value on them was no easy chore. Coke topped our list, at \$68.9 billion page 50

**BusinessWeek**

AUGUST 6, 2001

Cover Story**50 THE BEST GLOBAL BRANDS**

Brand-building isn't just for detergent and soft drinks anymore. The practice has spread to nearly every industry, from high tech to aerospace. Corporations have found that trusted names can boost sales and earnings, and their value is immense. *BusinessWeek*, together with consultant Interbrand, has rigorously assessed the value of the world's best brands and ranked the top 100 in our first annual scoreboard.

54 COMMENTARY: ACCOUNTING

Putting a price tag on intangible assets such as brands, patents, and research is a tough job, but it needs to be done, since they are the keys to investor value in a Knowledge Economy.

56 COMMENTARY: MARKETING

In a slowing economy, advertising matters more than ever. When companies cut their marketing budgets, smart rivals hike theirs.

60 THE 100 TOP BRANDS

Our first annual scoreboard, and how we ranked the brands.

News: Analysis & Commentary**26 AFTER GENOA, TIME TO REGROUP**

The bloodshed and another international meeting scheduled this fall for Washington may hasten compromise by free-traders.

28 COMMENTARY: GLOBAL WARMING

With the Bonn pact, the world moves ahead on emissions. But will governments comply?

30 COMMENTARY: THE DOLLAR

Weakening the greenback would lift exports and the economy. Despite its fears, the Administration can do so without triggering a free-fall.

31 'REENGINEERING' AT MERRILL

President Stanley O'Neal must reverse a 41% earnings slide. To do that could mean wielding the same hatchet he used last year.

32 COMMENTARY: HEALTH CARE

What form the drug benefit for seniors should take won't be an easy debate to settle. Here's a prescription that may help.

33 DRUG PRICES: STATES WEIGH IN

They haven't been waiting for Washington's help. Some are imposing their own price caps.

34 MICROSOFT MOVES FORWARD

Despite the threats of trustbusters, for Bill Gates & Co., there's no turning back on Windows XP.

35 THE INTERNET SLOWS

Declining growth on the Net—fewer users, less time online—point to a new stage in its evolution.

36 IN BUSINESS THIS WEEK**International Business****40 INDONESIA: MEGAWATI**

With her economic team in disarray, the President's leadership skills are already being questioned.

42 MEXICO: COMPETITIVENESS

New rivals—with cheaper labor and less bureaucracy—threaten its appeal as a manufacturing hub.

45 INTERNATIONAL OUTLOOK

Japan: The slowing economy gives Prime Minister Koizumi less room to prove his mettle as a reformer.

Economic Analysis**20 ECONOMIC VIEWPOINT**

Becker: The Microsoft case is an example of what U.S. courts can teach Europe's trustbusters.

THE BEST GLOBAL BRANDS

Together with leading brand consultant **INTERBRAND**, we've ranked the leaders around the world

Not long after she started her new job as head of Boeing Co.'s marketing and public-relations department in 1999, Ford veteran Judith Muhlberg uttered the "B" word in a meeting of top executives. Immediately, a senior manager stopped her and said: "Judith, do you know what industry you're in and what company you've come to? We aren't a consumer-goods company, and we don't have a brand."

Boeing has come a long way since then. Today, branding matters in a big way at the aerospace giant. The company's first-ever brand strategy was formalized last year as part of an overall strategy to extend its reach beyond the commercial-airplane business. Now, everything from Boeing's logo to its plan to

relocate its corporate headquarters from Seattle to Chicago has been devised with the Boeing brand in mind.

A belief in the power of brands and brand management has spread far beyond the traditional consumer-goods marketers who invented the discipline. For companies in almost every industry, brands are important in a way they never were before.

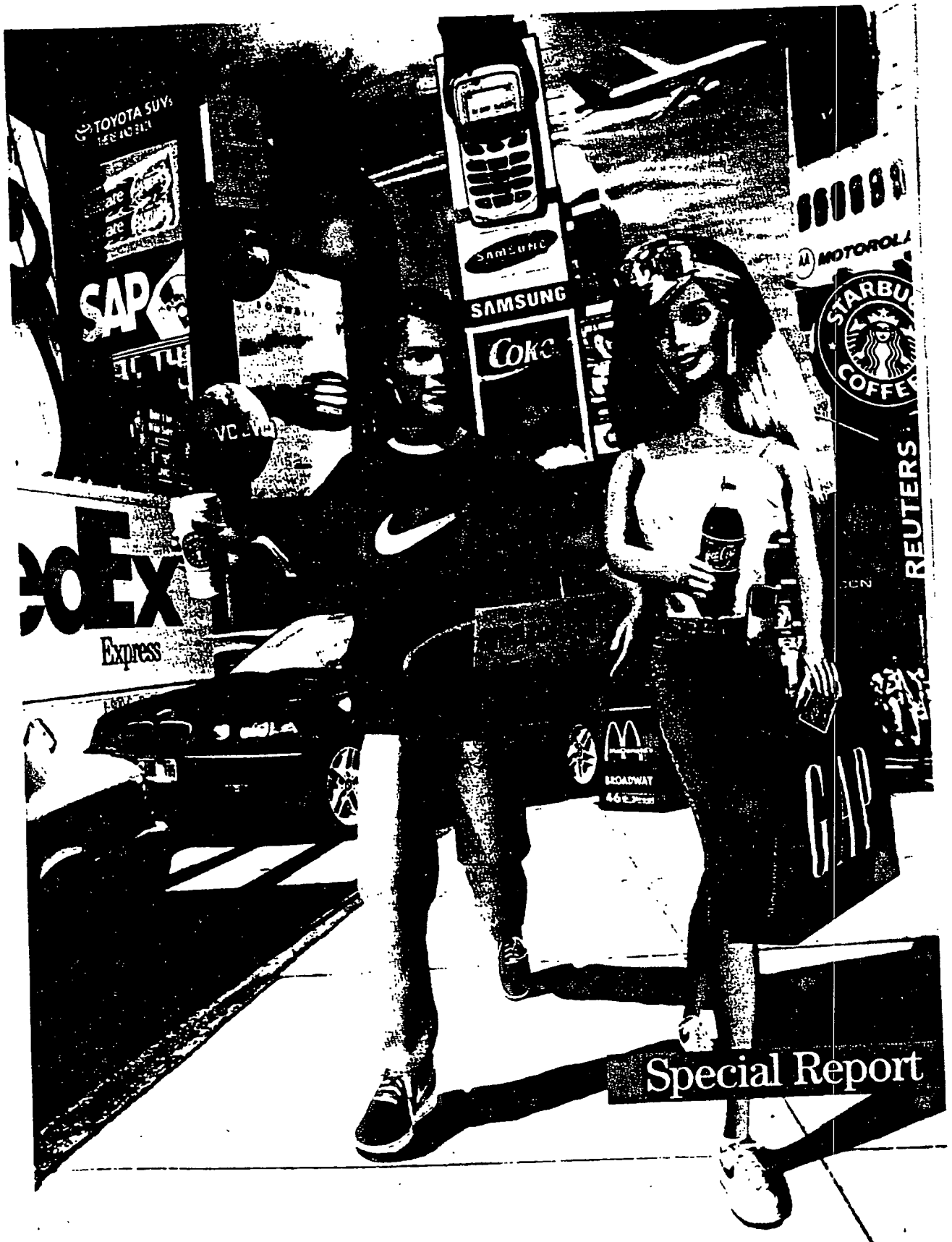
Why? For one thing, customers for everything from soda pop to software now have a staggering number of choices. And the Net can bring the full array to any computer screen with a click of the mouse. Without trusted brand names as touchstones, shopping for almost anything would be overwhelming. Meanwhile, in a global economy, corporations must reach customers in markets far from their home base. A strong brand acts as an am-

The World's 10 Most Valuable Brands

| RANK | BRAND | 2001 BRAND VALUE (\$BILLIONS) |
|------|------------|-------------------------------|
| 1 | COCA-COLA | 68.9 |
| 2 | MICROSOFT | 65.1 |
| 3 | IBM | 52.8 |
| 4 | GE | 42.4 |
| 5 | NOKIA | 35.0 |
| 6 | INTEL | 34.7 |
| 7 | DISNEY | 32.6 |
| 8 | FORD | 30.1 |
| 9 | MCDONALD'S | 25.3 |
| 10 | AT&T | 22.8 |

Data: Interbrand, Citigroup





As seen in BusinessWeek, August 6, 2001

bascador when companies enter new markets or offer new products. It also shapes corporate strategy, helping to define which initiatives fit within the brand concept and which do not.

That's why companies that once measured their worth strictly in terms of tangibles such as factories, inventory, and cash have realized that a vibrant brand, with its implicit promise of quality, is an equally important asset. A brand has the power to command a premium price among customers and a premium stock price among investors. It can boost earnings and cushion cyclical downturns—and now, a brand's value can be measured.

That's exactly what we



STARBUCKS A disgruntled worker might spoil a customer's visit, so the coffee company has built its brand through employee benefits: Even part-timers get stock options

The basic theory is that strong brands have the power to increase sales and earnings. Interbrand tries to figure how much of a boost each brand delivers, how stable that boost is likely to be in the future, and how much those future earnings are worth today. Many of the brand names in our table are also the name of the parent company.

The assigned value, however, is strictly for the brand. Coca-Cola's value is based on products carrying the Coke name, not on Sprite or Fanta.

Some big household brands won't turn up in our ranking at all. Only global brands, generally defined as selling at least 20% outside of their home country or region, are included. That eliminates some familiar names such as Gatorade, whose sales are overwhelmingly in the U.S. In addition, each brand must have enough publicly available data for Interbrand to make a reliable assessment. That knocks out private companies such as Mars

Inc. and even some publicly traded ones that don't break out enough data.

In other cases, it's too difficult to separate the strength of the brand from other factors. That's the case with airlines, where schedules and hubs often leave travelers with little choice when buying tickets, no matter what their feeling about a particular airline. Interbrand ranked some corporations, including Johnson & Johnson and Procter & Gamble Co., based on their portfolios of brands. The portfolio ranking follows the table of 100 brands.

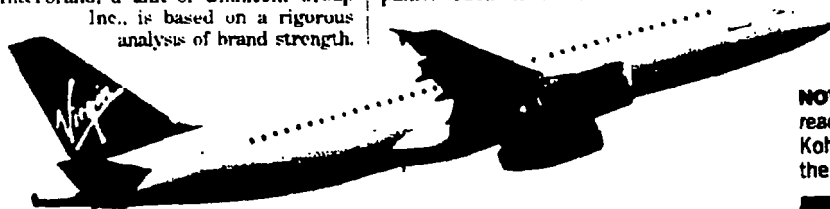
DE RIGUEUR. This kind of rigorous assessment of brand value has been required for more than a decade in Interbrand's original market, Britain, where measures of brand value often must be included on corporate balance sheets. Some experts believe that the U.S. and other countries should also require companies to break out brand valuations for investors (page 54). While other rankings rely on surveys of fleeting consumer perceptions, we believe our analysis will provide a reliable benchmark for comparison in years to come.

The ranking reflects the

Special Report



have done in our first annual report card of the world's most potent brands. To help assess which companies are managing their brands with skill and which ones aren't, *BusinessWeek* has teamed up with Interbrand Corp., a pioneering brand consultancy in New York, to offer a ranking of 100 global brands by dollar value. The ranking by Interbrand, a unit of Omnicom Group Inc., is based on a rigorous analysis of brand strength.



Wielding a Mean Branding Iron

Over the past two decades, factors ranging from the rise of the global economy to the rise of the Internet have helped make brands more powerful than at any time in history. Here are the milestones along the way:

JUNE 22, 1984 British record mogul Richard Branson launches an airline, extending the Virgin name from music to planes. Virgin goes on to encompass stores, movies, and financial services in one of the great brand-building stories of the '90s. Marketers take note that a strong, fertile brand can go in all sorts of new directions.



APR. 23, 1985 To stem defections to rival Pepsi, Coca-Cola introduces a new, sweeter formulation of its iconic soda pop, only to bring back Coke Classic 77 days later amid one of the biggest consumer backlashes in marketing history. The debacle offers one of the first glimpses at the latent power of brands.

NOV. 30, 1988 As the takeover era reaches a climax, buyout firm Kohlberg Kravis Roberts & Co. submits the winning bid for RJR Nabisco,



walking away with a brand portfolio that includes Oreo cookies, Winston cigarettes, and Hawaiian Punch—all for a record-setting \$25.4 billion. The vast premium paid over book value in this and other acquisitions brings home to corporate leaders just how valuable brands can be.

As seen in BusinessWeek, August 6, 2001

important developments of the past year and shows just how much they cost in brand value. Fewer than half of the 74 brands for which Interbrand had a 2000 valuation showed a gain in value in 2001. Mighty Coca-Cola is still the world's most powerful brand, but the name lost 5% of its value last year, according to Interbrand's calculations, as it struggled against its longtime rival Pepsi, ranked at No. 44. If No. 2 Microsoft hadn't been mired in antitrust troubles and an overall technology slowdown—causing it to shed 7% of its brand value—it would have cruised into the top spot on the list.

The dot-com meltdown claimed a lot of casualties. Yahoo!, at No. 59, and Amazon.com, at No. 76, while still formidable brands, nevertheless lost 31% each of their brand value amid widespread uncertainty about their ability to deliver earnings in the future. Still, the news wasn't all bad. No. 88-ranked Starbucks was the biggest gainer in percentage terms, adding 32% in value to its fast-growing

Winners

Whether it's Starbucks' iced lattes or the *Financial Times'* salmon-colored paper, ascendant brands all deliver a distinctive product to a growing legion of customers.

| RANK | BRAND | 2001 BRAND VALUE (\$BILLIONS) | 2000 BRAND VALUE (\$BILLIONS) | % CHANGE |
|------|-----------------|--|--|----------|
| 88 | STARBUCKS | 1.8 | 1.3 | 32 |
| 42 | SAMSUNG | 6.4 | 5.2 | 22 |
| 95 | FINANCIAL TIMES | 1.3 | 1.1 | 14 |
| 4 | GE | 42.4 | 38.1 | 11 |
| 94 | GUINNESS | 1.4 | 1.2 | 11 |

Data: Interbrand, Citigroup

brand, which now encompasses 4,435 stores on three continents as well as branded coffee paraphernalia, music, and candy.

To see just how much—and how fast—a mismanaged brand can lose value, take a look at No. 8-ranked Ford. Everyone knows that Ford Motor Co. has had a tough year. Between the Firestone tire fiasco and a series of embarrassing quality gaffes, little has gone right for the Detroit carmaker. Investors certainly have been hurt: First-half earnings from continuing operations are down 91% from a year ago. But what does the blow to Ford's reputation really cost? When a brand is tarnished, its power to attract customers and command top prices diminish-

Losers

Amazon and Yahoo! lost brand clout when the dot-com bubble burst. Xerox did itself in with turbulence in the executive suite, while Ford got run over by the Firestone tire controversy.

| RANK | BRAND | 2001 BRAND VALUE (\$BILLIONS) | 2000 BRAND VALUE (\$BILLIONS) | % CHANGE |
|------|------------|--|--|----------|
| 45 | XEROX | 6.0 | 9.7 | -38 |
| 76 | AMAZON.COM | 3.1 | 4.5 | -31 |
| 59 | YAHOO! | 4.4 | 6.3 | -31 |
| 62 | DURACELL | 4.1 | 5.9 | -30 |
| 8 | FORD | 30.1 | 36.4 | -17 |

Data: Interbrand, Citigroup

es—and so its value drops. That's what the numbers show for Ford. By Interbrand's calculations, the carmaker's name is worth \$30.1 billion today—\$6.3 billion less than last year.

SEA CHANGE. Numbers such as these make it clear why companies in all industries are suddenly becoming more vigilant brand stewards. Branding used to be practiced by companies that sold packaged goods to consumers—and almost no one else. Developing a brand included advertising, package design, and maybe a few promotions and was seen as far less central to the corporate mission than serious stuff such as floating debentures, quickening inventory turns, or boosting capacity utilization.

That was in a different millennium. As the new one unfolds, brands have been taking center stage

APR. 2, 1993 Philip Morris takes decisive action against discount cigarettes that are stealing share from mighty Marlboro by slashing prices 20%. Other premium makers are forced to follow, and consumer-goods stocks tumble amid fears that brands are losing clout. Suddenly, "brand management" becomes part of every manager's vocabulary.



MAY 5, 1994 With companies in all industries starting to focus on building brands, IBM makes

marketing history by consolidating its entire \$400 million global advertising account at one agency, Ogilvy & Mather, citing the need to get maximum leverage from its marketing efforts.



MAY 15, 1997 With less than two years of operating history and no profits in sight, online bookseller Amazon.com goes public at \$18 a share and the dot-com boom is born. Shares later reach a high of \$106, forever changing our notion of what it takes to build a dominant brand.

in a sweeping shift that some compare to the wave of mass marketing that occurred in the years following World War II. Pharmaceutical companies, which have been liberated to promote their products directly to consumers, have been spending hundreds of millions to create entirely new brands such as Viagra and Claritin. Branding efforts in the financial services sector have taken off as that industry has consolidated

and as federal legislation has knocked down the walls that used to separate banks from brokerage houses. Professional services companies such as Andersen Consulting, rebranded as Accenture, have realized that conveying a sense of trust and shared mission is as important as technical competence in winning multimillion-dollar contracts. Universities, government agencies, entertainment properties, and even individuals—Michael Jordan, Martha Stewart, Madonna—have come to be regarded as brands. Their names stand for an implicit promise of quality, innovation, or reliability.

ON A MISSION. That's why executives who earned their stripes at consumer-goods powerhouses such as Procter & Gamble and PepsiCo Inc. are suddenly turning up in the top ranks of companies that have nothing to do with detergent or snack foods. Back in 1994, General Motors Corp. was one of the first when it turned to Ronald L. Zarela, former president of Bausch & Lomb Inc., to teach it brand management. Citigroup, on the way to building Citibank into the 13th-ranked brand on our list, recruited a slew of marketing professionals from H.J. Heinz, Philip Mor-

Best in Class

How some big brands stack up in two industries

| AUTOMOTIVE | | | TECHNOLOGY | | |
|------------|-----------------|-------------------------------|------------|-------------------|-------------------------------|
| RANK | BRAND | PERCENT CHANGE IN BRAND VALUE | RANK | BRAND | PERCENT CHANGE IN BRAND VALUE |
| 8 | FORD | -17 | 3 | IBM | -1 |
| 12 | MERCEDES | 3 | 6 | INTEL | -11 |
| 14 | TOYOTA | -1 | 15 | HEWLETT-PACKARD | -13 |
| 21 | HONDA | -4 | 16 | CISCO | -14 |
| 22 | BMW | 7 | 24 | COMPAQ | -15 |
| 35 | VOLKSWAGEN | -6 | 32 | DELL | -13 |
| 48 | HARLEY-DAVIDSON | NA | 49 | APPLE | -17 |
| | | | 64 | TEXAS INSTRUMENTS | NA |

Data: Interbrand Citigroup

bring in a marketing czar steeped in branding. Abby Kohnstamm, his longtime associate at American Express Co. Together, Gersner and Kohnstamm reasserted the primacy of the brand in an organization that had degenerated into warring product groups. In a move that shocked Madison Avenue, Kohnstamm in 1994 consolidated all of Big Blue's advertising at a single agency, Ogilvy & Mather Worldwide Inc. Her goal was to give the far-flung company a unified and consistent message across all its products, services, and geographic markets.

After it took over, Ogilvy positioned IBM as a wise partner that could guide companies through their transformation into nimble, Net-savvy players. When Internet mania was in full swing, IBM's slice-of-life ads lampooned the excesses of Web culture. And when the dot-coms imploded, IBM was well positioned as "a voice of reason—not about hype, but about steering a clear course," according to Maureen McGuire, IBM's vice-

president for integrated marketing communications worldwide. Not surprisingly, in a year in which most technology brands took a bath in terms of their valuation, IBM held nearly steady, at \$53 billion. For technology marketers, IBM has become the model. Witness German software giant SAP, a brand that came in at No. 43 in our ranking. A massive but muddled advertising campaign in 1999 had left employees just as confused as customers about what the company's brand stood for. SAP hired a marketing veteran from Sony Corp., Martin Hum-

COMMENTARY

By Neil Gross

VALUING 'INTANGIBLES': A TOUGH JOB, BUT IT HAS TO BE DONE

As any business-school prof can tell you, the value of companies has been shifting from tangible assets—the bricks and mortar—to intangible assets, such as patents, customer lists, and brands. These are the keys to shareholder value in a knowledge economy, but our accounting system does little to acknowledge the shift. You won't find balance-sheet entries for those assets except in rare cases, even though at some companies they may account for the bulk of overall value. For example, at Apple Computer, No. 49 in our rankings, brand value equals a huge 80% of market capitalization.

Ignoring those intangible assets may have been fine 30 years ago; not anymore. Investors need a sense of the assets' value and whether expenses to support them—such as advertising—are really productive. If accounting can't

take stock of that, boards can't allocate capital intelligently, analysts can't evaluate the companies they cover, and investors can't get a fix on the market. "You end up with the blind leading the blind and being evaluated by the blind," says Jonathan D. Low, senior fellow at Cap Gemini Ernst & Young.

NEW RULES. Now, after years of dithering, architects of accounting rules are finally taking the first steps on the issue. It's a start, but more needs to be done. In June, the Financial Accounting Standards Board issued rules for how companies record assets in a merger. The rules, effective for most companies next Jan. 1, mean that when businesses acquire others using standard accounting, they will no longer have to amortize goodwill. That makes sense because most of those assets don't really depreciate. You don't wear out research or run out of brand power—at least most of the time.

Special Report



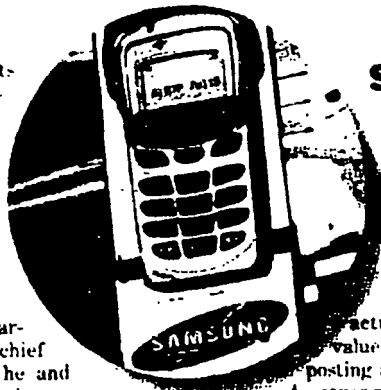
ris, and other consumer-products companies.

Why do companies that sell to other businesses, rather than directly to consumers, need to manage their brands? For the same reason that Coke and Pepsi do: to give themselves a leg up in the marketplace. Just look what it did for No. 3-ranked IBM. Branding played a huge role in the computer maker's remarkable reinvention in the 1990s under Chairman Louis V. Gerstner Jr. One of Gerstner's first moves was to

lish, to orchestrate its next moves. "It became clear to us that technology marketing is not just talking about your technology," says Hasso Plattner, SAP's co-CEO. "You need a clear message."

When Homlish arrived at SAP as chief marketing officer, he and the seasoned marketing executives that he recruited first set about establishing a coherent message for the company. "The first mission was to have a mission," says Susan Popper, senior vice-president for global advertising and an ad-agency veteran. "We had to move from a product-driven to a brand-driven culture."

Homlish insisted that all the company's product names, logos, brochures, and Web pages have a consistent look: "speaking satanese," he calls it. To make that easier to accomplish, he borrowed a page directly out of the IBM playbook and consolidated all global advertising at Ogilvy & Mather. So far, the marketing pros seem to be succeeding: SAP was that rare phenomenon—a technology company with a brand that



SAMSUNG When the maker of electronic gear headed upmarket, it dropped Wal-Mart with a clang: The mass-market chain clashed with the premium image it sought

actually increased in value over the past year, posting a 37% gain.

A strong brand not only helps customers understand an organization but it also imparts a sense of mission inside the company. Since employees embody the brand to consumers, it's vital that they understand and embrace brand values. "If they can't articulate to the outside world what the brand is all about, then who can?" says Shelly Lazarus, chairman of Ogilvy & Mather, whose clients, in addition to IBM and SAP, include American Express and Ford, both in the top 20 in our brand ranking. "Once an enterprise understands what the brand is

all about, it gives direction to the whole enterprise. You know what products you're supposed to

make and not make. You know how you're supposed to answer your telephone. You know how you're supposed to package things. It gives a set of principles to an entire enterprise."

UPWARDLY MOBILE? When managers have a clearly articulated sense of the brand, it can also help to guide basic strategy. When Boeing, No. 63 in our ranking, thought about expanding into areas beyond its core aircraft operations, top executives thought carefully about what, exactly, the Boeing brand stood for. Once the organization defined itself as a global aerospace-technology company instead of just an airplane builder, moving into satellites and aircraft services became easy decisions.

Likewise, a strong commitment to its brand strategy helped Samsung Electronics Co., whose Samsung brand ranked No. 42 on our list, make the tough decision to ditch Wal-Mart Stores Inc. as a major retailer of its products. Sam-

Sometimes, however, those assets can be damaged, and the new rules require companies to recognize that. If your assets become impaired—say, your biggest brand suffers a massive safety recall—then you must account for the damage. To do so, companies will have to assign a value to

the intangibles. Crusaders for accounting reform who care about knowledge assets applaud this outcome. "The idea that you will identify acquired intangibles and periodically measure what they are worth—this is definitely a move in the right direction," says Baruch Lev, accounting professor at the Stern School of Business and author of *Intangibles: Management, Measurement and Reporting*.

So why not go a step further and require companies to account for intangibles on the balance sheet all the time,

regardless of whether or not there's a purchase? After all, in places such as Britain and Australia, companies already must, at times, report brand valuations on the balance sheet.

VOODOO ACCOUNTING? First of all, get real. It took the conservative FASB 30 years to make the latest set of changes. A quick, radical overhaul simply isn't in the cards. And that may not be the solution, anyway. When it comes to brands

APPLE Investors are left in the dark about how much that single word—with its branding clout—is actually worth

and other intangibles, says FASB Research Director Timothy S. Lucas. "there are very significant measurement and definition problems." Even the reformers seem content to go slow. "To get into the financial statements, information should be reliable," says Paul B.W. Miller, a professor of accounting at the University of Colorado and a longtime FASB watcher and critic. The biggest problem? Valuing intangibles, even using the most rigorous methodology, calls for subjective judgments—something accountants abhor.

There are, however, other ways to balance the need to track the value of intangible assets and the need for easily verifiable financial statements: Simply report the value of the intangible assets elsewhere in the financials—for example, in the footnotes. That way, investors would have at least some sense of whether their investment was gaining or losing value. Intentionally or not, FASB has put the need to value intangible assets front and center. *BusinessWeek's* new brand ranking will provide good grist for the whole debate.

Senior Editor Gross writes about research, patents, and other intangibles.



sung, which gained 22% in brand value last year, is trying to move up the value chain. Selling Samsung products at Wal-Mart made sense back when the South Korean electronics company aspired to churning out low-end electronic gadgets. Now, however, the company is attempting to move into more innovative, higher-margin items, such as voice-activated mobile phones that double as digital music players and personal digital assistants. These are products that many consumers may be trying for the first time, thus giving a new brand like Samsung a big opportunity. "That transition and our strategy to move upmarket very aggressively are the main reasons why our brand improved rapidly," says Eric Kim, Samsung's marketing chief. Having its products appear in a mass-market discounters such as Wal-Mart hampered Samsung's attempts to build a premium image.

Samsung has good reason to worry about protecting and enhancing its brand integrity. Companies that don't do so run the risk of seeing their brands degenerate into mere commodities that



BOEING Expanding beyond aircraft itself as a global aerospace-technology

customers shop for strictly on the basis of price. That drift can lop off millions in brand value and market capitalization, sometimes with astonishing speed. Philip Morris Cos. found that out back in 1993 when it slashed the price of its flagship Marlboro cigarette brand on what came to be known as Marlboro Friday.

That tacit acknowledgement that the rise of discount brands was burning into Marlboro's market share led investors to fear that the big brands were losing their pricing clout. The result: an immediate plunge in stock prices for consumer-goods companies across the board. The episode "really raised the bar on accountability," recalls Jan Lindemann, global director for brand valuation at Interbrand. "It was the point at which marketing directors and brand managers realized that what they did had a direct effect on shareholder value. Marketing departments had to recognize that brands and brand managers were

going to be held more accountable."

Marlboro Friday turned out to be a wake-up call, not a death knell for big brands. At many companies, the soul-searching that followed ushered in a period of increased marketing budgets, stepped-up product innovation, and experiments with more compelling ways to reach consumers. Companies have learned the importance of the customer experience. They're scrutinizing every customer contact and every activity, from call centers to the way the company's trucks are painted to the selection of magazines in the lobby, to make sure they are in sync with the core values of the brand.

PURKING MERRILY. Perhaps no brand has done a better job of that than Starbucks. In 20 years, the Seattle company has grown from 15 coffee shops to 4,435. Over that entire period, it has spent maybe \$20 million on traditional advertising, a pittance next to the \$30 million that Pampers, ranked below it at No. 92, spent just last year. Instead, Starbucks plowed potential ad money into employee benefits. It was one of the first companies to offer part-timers stock op-

COMMENTARY

By Gerry Khermouch

WHY ADVERTISING MATTERS MORE THAN EVER

How much does advertising matter? That's the question that marketers are asking themselves as the worldwide economy slows and budgets tighten. When times are good, the corporate commitment to long-range brand-building knows few bounds. But when profits drop, the ad budgets become an irresistible target

for the budget-slashers. That's the question that marketers are asking themselves as the worldwide economy slows and budgets tighten. When times are good, the corporate commitment to long-range brand-building knows few bounds. But when profits drop, the ad budgets become an irresistible target

a list of features or a logo or an advertising tag line but as a relationship with the consumer. And just as one's friendships need to be kept in good repair, customer relationships can be maintained only through consistency. The marketing budget pays for much of that needed face time. So what's the ad-spending outlook like this time? Certainly, ad agencies and media sales staffs have been doing their best to remind advertisers that history has a way of repeating itself. They point to the last downturn, in the early 1990s, when private-label products leaped to prominence while packaged-goods marketers slashed their budgets. And while it's not definitive, some research suggests that the best way to gain share is to sustain your spending during a downturn as your rivals are cutting back. That's how cereal maker Kellogg leapfrogged C.W. Post during the Depression, and how Pizza Hut and

Taco Bell grabbed share from McDonald's during the early 1990s' dip. "Smart companies look to these environments, when other people go darker, to advance their proposition," says Donald R. Uzzi, senior vice-president of global advertising, marketing, and communications for information-systems company Electronic Data Systems.

SLOW SPRING. That sounds logical, but lots of companies take the short view. With unrelenting pressure from Wall Street to hit their earnings forecasts, it's not hard to see why. Cutting back on ad spending for a quarter or two seems like an easy way to make the numbers. Some, including Delta Air Lines Inc. and General Motors Corp., reacted quickly to slowing growth earlier this year by slashing marketing budgets. Overall, U.S. spending for the first four months of 2001 dropped 5.7% from last year, according to ad tracker Competitive Media Reporting. And in this spring's so-called up-front market,

Special Report

for the budget-slashers.

It's dangerous, though, to give in to that temptation. "People who starve their brands now will be paying for it in the future," warns Kevin Lane Keller, marketing professor at Dartmouth University's Amos Tuck School of Business. After all, in an era of wide consumer choice among roughly comparable products, marketers have learned to think of their brands not so much as



meant a brand revamp. After Boeing redefined company, moving into new fields became easier

tions and health benefits. Why? Because for the Starbucks brand, the experience the consumer has in the store is crucial. A disgruntled employee or dirty restroom would break the pact Starbucks has with its customers. "If we want to exceed the trust of our customers, then we first have to build trust with our people," says Howard Schultz, Starbucks' chairman. "Brand has to start with the culture and naturally extend to our customers."

Employee benefits as a marketing tool? Why not, if that's what the brand requires. Besides, conventional advertising is no sure thing. As the dot-com bubble proved, massive advertising is not the same as brand-building. At the height of the boom, startups spent tens of millions of investor dollars familiarizing Web users with such new brands as outpost.com, eToys, and Pets.com. In the end, too many of the dot-com ads never got around to telling consumers what the brands

stood for—or even what products or services the company offered. Now, many of those names are disappearing, along with the sock puppets and airborne gerbils that were their mascots.

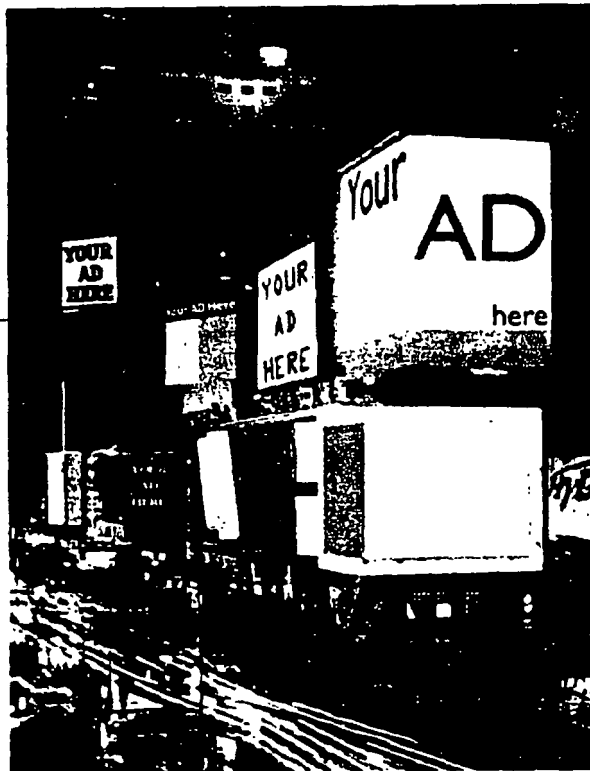
Brand gurus predict that demands on brands will only increase in the coming decades. The 72 million members of Generation Y, who are now reaching their mid-20s, have exhibited the most social activism since the baby boomers in the 1960s. They are likely to base much of their consumption on the values they ascribe to the companies providing goods and services, predicts brand con-

sultant Marc Gobé, author of *Emotional Branding: The New Paradigm for Connecting Brands to People*. This means that companies will have to make a far greater effort to ensure that the values communicated to consumers are consistent with its internal values. If it is not, they will be exposed. "You can fool some of the people some of the time—until they have a bad experience with your brand," warns David F. D'Alessandro, CEO of John Hancock Financial Services Inc. and author of *Brand Warfare: 10 Rules for Building the Killer Brand*. Those that make good on their promises, though, will be rewarded with a more loyal consumer base—and a brand that steadily grows in value. As managers are learning, a brand is not just an abstract concept. It's a treasured corporate asset.

By Gerry Khernouch in New York, with Stanley Holmes in Seattle and Moon Hyun in Seoul

BusinessWeek online

For an online version of this report, which includes an interactive brands scoreboard, additional stories, and interviews, go to www.businessweek.com/go/brand.



in which marketers and their media buyers dickered with TV networks over ad time for the coming programming year, bookings showed their first fall-off in more than a decade.

Still, most major ad-spending analysts are projecting at least a slim gain for 2001. Indeed, plenty of marketers are sticking with their ad plans. After scoring sales gains with yogurt-in-a-tube and other new products in recent years, Dannon Co. in Tarrytown, N.Y., is not about to fritter them away by slashing the budget now, vows Eric Leventhal, vice-president of marketing. "Our spending behind media is certainly at an all-time high and will be increased next year," he says.

Marketers outside of traditional consumer goods have shown less willingness to support their brands. As a result, they risk losing their pricing power—and more important, their connection with their customers. Technology, which has led the downturn, is where marketers most need to stay the course. Skittish customers need reassurance that the investments they have made

will pay off and that the supplier will be there to support them. Besides, those that cut back risk ceding ground to a few well-funded players eager to grab market share from weaker rivals. That's why third-ranked IBM, with a \$650 million media budget, is "absolutely going to stay the course," says Maureen McGuire, vice-president for integrated marketing communications. "Successful companies try to use the downturn to solidify their position and take some share. We see it

OPPORTUNITY
The ad slump offers major brands with their deep pockets a chance to snatch market share from rivals

as an opportunity." That kind of long-term thinking may well be one reason why IBM lost only 1% of brand value last year, compared with bigger declines at some other high-tech companies.

Will IBM and similar opportunists show the grit to maintain these commitments? As Dartmouth's Keller points out, marketers tamper with their core commitment to their brands at the gravest risk. Those who don't burnish their brands in the downturn may find their good names are worth a whole lot less when the tough times end.

Marketing Editor Khernouch writes about brands and advertising.

THE 100 TOP BRANDS

Our first ranking of the world's most valuable brands

The table that follows ranks 100 global brands that have a value greater than \$1 billion. The brands were selected according to two criteria. They had to be global in nature, deriving 20% or more of sales from outside their home country. There also had to be publicly available marketing and financial data on which to base the valuation. That excluded some big

opinion polls or ad expenditures. *BusinessWeek* selected Interbrand's method because it values brands the same way analysts value other assets: on the basis of how much they're likely to earn going forward. Those future earnings are then discounted to a present value based on how risky the earnings are, that is, the likelihood that they will actually materialize.

To start the process, Interbrand first figures out what percentage of overall revenues are accounted for by the brand. Next, with the help of analysts from Citigroup, Interbrand projects the net earnings for that segment of the business. Interbrand then deducts a charge for the cost of owning the tangible assets, on the theory that whatever income is generated beyond that cost is due to intangible factors. This is the economic value added by such intangibles as patents, customer lists, and, of course, the brand.

The next step is to winnow the earnings generated by the brand from the earnings generated by other intangibles. For example, are people buying Shell gas because of the brand name or because the gas station is conveniently located? Interbrand uses market research and interviews with industry executives to sift through those variables.

The third and final phase is to analyze the strength of the brand in order to figure out how risky those future brand earnings are. To calculate the brand's strength, Interbrand looks at seven factors, including the brand's market leadership, its stability, and its ability to cross geographical and cultural borders. The risk analysis produces a discount rate which is applied to the brand earnings to come up with a net present value of the brand. *BusinessWeek* and Interbrand believe that this figure comes closest to representing the true economic value of that complex array of forces that make up a brand.

Special Report



brands, such as Visa, BBC, Mars, and CNN. The table of individual brands is followed by a table of leading brand portfolios, since some companies create significant brand value by managing a group of brands. Procter & Gamble, for example, owns Pampers, Crest, and Tide.

There are many ways to rank brands. Some rankings rely on little more than

The Global Brand Scoreboard

| RANK | 2001 BRAND VALUE BILLIONS | 2000 BRAND VALUE BILLIONS | PERCENT CHANGE | COUNTRY OF OWNERSHIP | DESCRIPTION | |
|------|---------------------------------|---------------------------------|-------------------|----------------------------|-------------|--|
| 1 | COCA-COLA | 68.95 | 72.54 | -5 | U.S. | Coke is still No. 1, but can it hang on to the top spot? |
| 2 | MICROSOFT | 65.07 | 70.20 | -7 | U.S. | Microsoft is unleashing its biggest product wave ever, topped by Windows XP. |
| 3 | IBM | 52.75 | 53.18 | -1 | U.S. | Despite the tech slump, Big Blue's beefy marketing budget is keeping the company front and center. |
| 4 | GE | 42.40 | 38.13 | 11 | U.S. | The Teflon brand? Not even Jack Welch's announced exit could dent the value. |
| 5 | NOKIA | 35.04 | 38.83 | -9 | Finland | The company that gave phones panache wants to do the same for other mobile gadgets. |
| 6 | INTEL | 34.67 | 39.05 | 11 | U.S. | "Intel Inside" ads lifted the chipmaker to the top, but slumping PC sales and price wars make it a struggle to stay there. |
| 7 | DISNEY | 32.59 | 33.55 | -3 | U.S. | Despite new theme parks, Mickey struggles to rise above mediocre movies, bad stores, and fresh competition. |
| 8 | FORD | 30.09 | 36.37 | -17 | U.S. | The Firestone fiasco and other quality gaffes hit the No. 2 carmaker. |
| 9 | MCDONALD'S | 25.29 | 27.86 | -9 | U.S. | Europe's meat hysteria takes a bite out of Big Mac. Nonvegetarian fries didn't help, either. |
| 10 | AT&T | 22.83 | 25.55 | -11 | U.S. | AT&T has the most powerful brand in telecom, but it's losing market share. |

Data: Interbrand, Citigroup, *BusinessWeek*

As seen in BusinessWeek, August 6, 2001

| RANK | 2001 BRAND VALUE \$BILLIONS | 2000 BRAND VALUE \$BILLIONS | PERCENT CHANGE | COUNTRY OF OWNERSHIP | DESCRIPTION | |
|------|-----------------------------------|-----------------------------------|-------------------|----------------------------|-------------|---|
| 11 | BARLDBRO | 22.05 | 22.11 | 0 | U.S. | Outlets all of R.J. Reynolds' major tobacco brands combined. Who needs ads anyway? |
| 12 | MERCEDES | 21.73 | 21.11 | 3 | Germany | Owms the market for luxury sedans, but moving downmarket is proving troublesome. |
| 13 | CITIBANK | 19.01 | 18.81 | 1 | U.S. | World's biggest bank: The son never sits on Sandy Weill's ever-expanding empire. |
| 14 | TOYOTA | 18.58 | 18.82 | -1 | Japan | Look out, Detroit—this maker of trusty sedans is rewing up new SUVs and pickup trucks. |
| 15 | HEWLETT-PACKARD | 17.98 | 20.57 | -13 | U.S. | HP needs to improve its performance—and branding—in high-and corporate computing. |
| 16 | CISCO SYSTEMS | 17.21 | 20.07 | -14 | U.S. | Suddenly, "empowering the Internet generation" doesn't mean 60% sales-growth rates. |
| 17 | AMERICAN EXPRESS | 16.92 | 16.12 | 5 | U.S. | In play? AmEx' rivets covet the card so much, they may try to buy the whole company. |
| 18 | GILLETTE | 15.30 | 17.36 | -12 | U.S. | New CEO looking for next big thing: old formula of high-priced innovation doesn't cut it anymore. |
| 19 | MERRILL LYNCH | 15.02 | NA | NA | U.S. | Never mind the down markets: Being the largest retail brokerage keeps Main Street in love with the bull. |
| 20 | SONY | 15.01 | 16.41 | 9 | Japan | The best-known brand in consumer electronics, Sony is still the name to beat. |
| 21 | HONDA | 14.64 | 15.25 | -4 | Japan | Hits like the Odyssey minivan make it big in the U.S. and Japan, but it's caught in a rut in Europe. |
| 22 | BMW | 13.86 | 12.97 | 7 | Germany | Thriving after cutting Rover unit loose. The lesson: Stick to what you do best. |
| 23 | NESCAFE | 13.25 | 13.68 | -3 | Switzerland | In some countries, the name has become synonymous with instant coffee. |
| 24 | COMPAQ | 12.35 | 14.60 | -15 | U.S. | Handing the PC crown to Dell was hard. Remaking itself in IBM's image may prove even harder. |
| 25 | ORACLE | 12.22 | NA | NA | U.S. | This Internet bathwater sank when the bubble burst, but long term, its prospects are rock-solid. |
| 26 | BUDWEISER | 10.84 | 10.69 | 1 | U.S. | Relentless and innovative marketing keeps consumers saying "Whassup?" to the world's largest brewer. |
| 27 | KODAK | 10.80 | 11.82 | -9 | U.S. | A weaker economy means fewer snapshots, and digital imaging isn't picking up the slack fast enough. |
| 28 | MERCK | 9.67 | NA | NA | U.S. | A top-flight research and development operation continues to produce breakthrough drugs. |
| 29 | NINTENDO | 9.46 | NA | NA | Japan | Nintendo is preparing to battle Sony and Microsoft with new game console this fall. |
| 30 | PFIZER | 8.95 | NA | NA | U.S. | Its marketing operation is the best in the business. Plus it has a roster of blockbuster products. |
| 31 | GAP | 8.75 | 9.32 | -6 | U.S. | Once the king of khakis, it's still struggling to find the next fashion winners. |
| 32 | DELL | 8.27 | 9.48 | -13 | U.S. | Slashing prices and costs has made Michael Dell king of computers, but he needs to move his company beyond the box. |
| 33 | GOLDMAN SACHS | 7.86 | NA | NA | U.S. | The Goldman mystique still reigns: No. 1 in global IPOs and No. 2 in M&A. |
| 34 | NIKE | 7.59 | 8.02 | 5 | U.S. | Athletic-gear giant takes a beating from labor activists but licks competition with pull on sneakers. |
| 35 | VOLKSWAGEN | 7.34 | 7.83 | -6 | Germany | Still the People's Car, its engineering excellence makes it Europe's best-seller. |
| 36 | ERICSSON | 7.07 | 7.81 | -9 | Sweden | Swedes are counting on a Sony joint venture to prop up struggling brand. |
| 37 | KETCHUP | 7.06 | NA | NA | U.S. | The famously slow-pouring ketchup still rules. Now it comes in green, too. |
| 38 | LOUIS VUITTON | 7.05 | 6.89 | 2 | France | For those who like their status symbols in bold monograms, these are the handbags and luggage of choice. |
| 39 | KELLOGG'S | 7.01 | 7.36 | -5 | U.S. | Its breakfast cereals are losing their snap, crackle, and pop, and new-product innovations have garnered a soggy response from consumers. |
| 40 | MTV | 6.60 | 6.41 | 3 | U.S. | The original music network is still tops with the teen crowd. |
| 41 | CANON | 6.58 | NA | NA | Japan | Not just a camera-maker anymore, Canon is big in digital copiers and desktop printers, too. |
| 42 | SAMSUNG | 6.37 | 5.22 | 22 | S. Korea | Seeking to move upmarket, Samsung ditched Wal-Mart for Best Buy. |
| 43 | SAP | 6.31 | 6.14 | 3 | Germany | It's now a top-tier software supplier for companies looking to turn themselves into e-businesses. |
| 44 | PEPSI | 6.21 | 6.64 | -6 | U.S. | Pepsi's making headway in the cola wars in the U.S., but still lags well behind Coke overseas. |

Data: Interbrand, Citigroup, BusinessWeek

BusinessWeek / August 6, 2001 81

As seen in BusinessWeek, August 6, 2001

| RANK | 2001 BRAND VALUE \$BILION | 2000 BRAND VALUE \$BILION | PERCENT CHANGE | COUNTRY OF OWNERSHIP | DESCRIPTION | |
|------|---------------------------------|---------------------------------|-------------------|----------------------------|-------------|---|
| 45 | XEROX | 6.02 | 9.70 | -38 | U.S. | Competitive stumbles, questionable accounting, management turmoil: What didn't go wrong? |
| 46 | IKEA | 6.01 | 6.03 | 0 | Sweden | Its growth is proving that cheap chic is an international movement. |
| 47 | PIZZA HUT | 5.98 | NA | NA | U.S. | After scoring with Big New Yorker and Stuffed Crust, Tricon unit looks for next hits to get same-store sales growing again. |
| 48 | HARLEY-DAVIDSON | 5.53 | NA | NA | U.S. | The leader of the pack powers down the highway. Now it needs to get younger riders to climb aboard. |
| 49 | APPLE | 5.46 | 6.59 | -17 | U.S. | Apple continues to churn out eye-pleasing products but struggles to find takers beyond the core Mac faithful. |
| 50 | GUCCI | 5.36 | 5.15 | 4 | Italy | Glamorous clothes with just enough edge to keep fashionistas hooked. |
| 51 | KFC | 5.26 | NA | NA | U.S. | King of fried chicken takes risky branding tack by teaming up with sibling sister Taco Bell at some locations. |
| 52 | REUTERS | 5.24 | 4.88 | 7 | Britain | On the eve of its 150th anniversary, the British news service has new leadership, partnerships, and a consumer push. |
| 53 | SON MICROSYSTEMS | 5.15 | NA | NA | U.S. | While the server maker soared during the Net bubble, being "the dot in dot-com" isn't what it used to be. |
| 54 | KLEENEX | 5.09 | 5.14 | -1 | U.S. | Facial-tissue inventor moves beyond mere sniffles to menthol, three-ply, and other deluxe versions. |
| 55 | PHILIPS | 4.90 | 5.48 | -11 | Netherlands | Stellar consumer brand in Europe, but lags in U.S., where it's often confused with producer of stomach medicine. |
| 56 | COLGATE | 4.57 | 4.42 | 3 | U.S. | Total toothpaste helps this oral-care brand extract market share. |
| 57 | WRIGLEY'S | 4.53 | 4.32 | 5 | U.S. | Who hasn't chewed through a pack? Now there's Wrigley's antacid gum and breath mints, too. |
| 58 | AOL | 4.50 | 4.53 | -1 | U.S. | Makes money, and partnerships with new AOL Time Warner sibling brands could spur next growth spurt. |
| 59 | YAHOO! | 4.38 | 6.30 | -31 | U.S. | With its marketing dollars getting tighter, this online giant's brand may have seen its best days. |
| 60 | AVON | 4.37 | NA | NA | U.S. | The Avon Lady wants to sell more than just makeup, and not just door-to-door. |
| 61 | CHANEL | 4.27 | 4.14 | 3 | France | The classic styles of founder Coco Chanel have been discreetly updated—her trademark pearls haven't. |
| 62 | DURACELL | 4.14 | 5.89 | -30 | U.S. | It scored with its premium-priced Duracell Ultra, but got eaten alive in the mass market. |
| 63 | BOEING | 4.06 | NA | NA | U.S. | A branding effort—and headquarters shift—aims to create broader image for aerospace behemoth. |
| 64 | TEXAS INSTRUMENTS | 4.04 | NA | NA | U.S. | Ti chips power 60% of the world's cell phones, but Intel wants inside wireless devices of the future. |
| 65 | KRAFT | 4.03 | NA | NA | U.S. | Managed to make even processed cheese more convenient to eat. |
| 66 | MOTOROLA | 3.76 | 4.45 | -15 | U.S. | Cumbersome, pricey phones didn't click with consumers. Now it's playing catch-up. |
| 67 | LEVI'S | 3.75 | NA | NA | U.S. | Once an icon of individuality and youthful rebellion, these jeans are now as tame as bobby socks and saddle shoes. |
| 68 | TIME | 3.72 | NA | NA | U.S. | Will new corporate parent AOL give the venerable weekly a boost? |
| 69 | ROLEX | 3.70 | 3.56 | 4 | Switzerland | The watches are known for their precision under stress. No wonder so many executives wear them. |
| 70 | ADIDAS | 3.65 | 3.79 | -4 | Germany | It still has some street appeal, but the spring and summer apparel collections were a bust in the U.S. |
| 71 | HERTZ | 3.62 | 3.44 | 5 | U.S. | A strong travel market put Hertz in the fast lane last year, though traffic has slowed lately. |
| 72 | PANASONIC | 3.49 | 3.73 | -7 | Japan | While Sony and Samsung go upscale with electronics, Panasonic increasingly competes with low-priced Chinese models. |
| 73 | TIFFANY | 3.48 | NA | NA | U.S. | The jeweler has such a powerful aura that even the trademark robin's-egg-blue boxes are status symbols. |
| 74 | BP | 3.25 | 3.07 | 6 | Britain | CEO John Browne's flurry of acquisitions has made once stodgy BP into a top oil brand. |
| 75 | BACARDI | 3.20 | 3.19 | 1 | Bermuda | Trademark bottle hasn't stopped this rum giant from selling more than 20 million cases a year. |
| 76 | AMAZON.COM | 3.13 | 4.53 | -31 | U.S. | The biggest challenge: convincing book and CD customers it's also the place to buy grills and cameras. |
| 77 | SHELL | 2.84 | 2.79 | 2 | Brit./Neth. | Makes gains in cleaning up an image tarnished by environmental problems and mediocre performance. |

Data Interbrand Catalog BusinessWeek

As seen in BusinessWeek, August 6, 2001

| RANK | 2001 BRAND VALUE \$BILLIONS | 2000 BRAND VALUE \$BILLIONS | PERCENT CHANGE | COUNTRY OF OWNERSHIP | DESCRIPTION | |
|------|-----------------------------------|-----------------------------------|-------------------|----------------------------|-------------|---|
| 70 | SMIRNOFF | 2.59 | 2.44 | 6 | Britain | Extensions like Smirnoff Ice give new life to an aging brand. |
| 71 | MOET & CHANDON | 2.43 | 2.80 | -12 | France | Still bubbly, but the French champagne maker shows signs of a post-millennial hangover. |
| 80 | BURGER KING | 2.43 | 2.70 | -10 | U.S. | Unhappy franchisees and a French fry snafu take their toll on this troubled brand. |
| 81 | MOBIL | 2.42 | NA | NA | U.S. | 1999 merger with the Exxon tiger has made the brand stronger than ever. |
| 82 | HEINEKEN | 2.27 | 2.22 | 2 | Netherlands | Even price hikes have failed to dampen enthusiasm for the most global beer brand. |
| 83 | WALL STREET JOURNAL | 2.18 | 2.19 | 0 | U.S. | A tough economic environment and dull year for the Dow doesn't help this investor's bible. |
| 84 | BABY | 2.04 | 2.32 | -12 | U.S. | Mattel's famous doll is hoping toys into movies will give her new life. |
| 85 | POLO/RALPH LAUREN | 1.91 | 1.83 | 4 | U.S. | The ultimate aspirational brand: You can buy everything from Polo ties to towels now. |
| 86 | FEDEX | 1.89 | NA | NA | U.S. | Can the pioneer of overnight delivery deliver a weighty counterpunch to UPS' competitive threat? |
| 87 | RIVEA | 1.78 | NA | NA | Germany | Owner Beiersdorf gives the 90-year-old cream a new wrinkle with products for men. |
| 88 | STARBUCKS | 1.76 | 1.33 | 32 | U.S. | Shows the biggest jump in brand value as it keeps expanding its coffee empire into every nook and cranny. |
| 89 | JOHNNIE WALKER | 1.65 | 1.54 | 7 | Britain | The Scotch king has a new "Keep Walking" campaign to create more buzz and attract younger drinkers. |
| 90 | JACK DANIELS | 1.58 | 1.48 | 7 | U.S. | Flamboyantly down-home, astimarketing approach endears the Tennessee sippin' whiskey to an expanding band of loyalists. |
| 91 | ARMANI | 1.49 | 1.46 | 2 | Italy | The minimalist of the fashion world—for those who don't want to wear their money on their sleeves. |
| 92 | PAMPERS | 1.41 | 1.40 | 1 | U.S. | Procter & Gamble's diaper line moves into disposable bibs to boost its bottom line. |
| 93 | ABSOLUT | 1.38 | NA | NA | Sweden | So recognized that even the bottle shape has become part of the brand. |
| 94 | GURNESS | 1.36 | 1.23 | 11 | Britain | At the ripe age of 242, this Irish brew sells more than 10 million pints worldwide each day. |
| 95 | FINANCIAL TIMES | 1.31 | 1.15 | 14 | Britain | Britain's business newspaper benefits from a push to win U.S. readers. |
| 96 | HILTON | 1.24 | 1.48 | -17 | U.S. | Still the top name in lodging, but travelers are starting to check out other brands. |
| 97 | CARLSBERG | 1.08 | NA | NA | Denmark | Growing global investments help this Danish brewer raise its profile in new markets. |
| 98 | SIEMENS | 1.03 | NA | NA | Germany | Diversified engineering giant needs GE-style gumption to make brand more relevant. |
| 99 | SWATCH | 1.00 | NA | NA | Switzerland | Low prices and quirky, offbeat designs make it the Swiss anti-Rolux. |
| 100 | BENETTON | 1.00 | 1.01 | -1 | Italy | Made a name for itself with controversial ads that promote tolerance. But does anyone still wear the clothes? |

Data: Interbrand, Citigroup, BusinessWeek

The valuations of the brands draw upon publicly available information. Interbrand has not made its own independent investigation or research into the accuracy or completeness of the information. The valuations do not represent advice from Interbrand with respect to the suitability of the sale, licensing, or franchising or any commercial exploitation of the brands in any respect, or for the purpose of investment, in the companies in question. Nothing contained in the valuations should be relied upon as a promise or representation as to the future prospects of the brands or companies. Interbrand accepts no representations and warranties with respect to the valuations.

The Top Brand Portfolios

| COMPANY | 2001 BRAND \$BILLIONS | 2000 BRAND \$BILLIONS | PERCENT CHANGE | COUNTRY |
|---------------------|--------------------------|--------------------------|-------------------|-------------|
| 1 JOHNSON & JOHNSON | 68.21 | NA | NA | U.S. |
| 2 P&G | 45.44 | 48.35 | -6 | U.S. |
| 3 NESTLE | 41.69 | 40.25 | 4 | Switzerland |
| 4 UNILEVER | 37.85 | 37.10 | 2 | Brit./Neth. |
| 5 L'OREAL | 17.80 | NA | NA | France |
| 6 DIAGEO | 15.00 | 14.56 | 3 | Brit./Neth. |
| 7 COLGATE-PALMOLIVE | 14.36 | 13.64 | 5 | U.S. |
| 8 DANONE | 13.58 | NA | NA | France |

Data: Interbrand, Citigroup, BusinessWeek

64 BusinessWeek / August 6, 2001

Creating and managing
brand value

Interbrand

Founded in 1974, Interbrand serves the world with 34 offices in 22 countries. Working in close partnership with our clients we combine the rigorous strategy and analysis of brand consulting with world-class design and creativity.

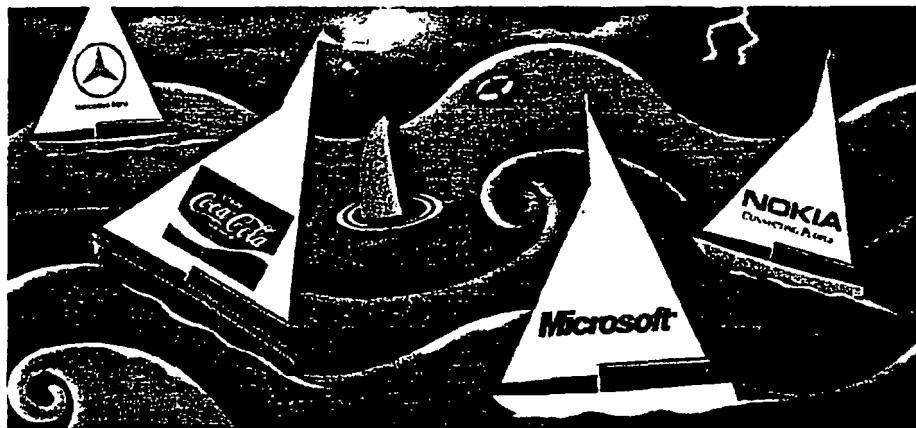
We offer a range of services including research, strategy, naming and verbal identity, corporate identity, package design, retail design, internal brand communications, corporate reporting, digital branding tools, integrated marketing services, and brand valuation.

We enable our clients to achieve greater success by helping them to create and manage brand value.

Creating and managing
brand value

Interbrand

As seen in BusinessWeek, August 5, 2002



THE BEST GLOBAL BRANDS

BusinessWeek and **INTERBRAND** tell you what they're worth

Wireless phones. Consumer electronics. Memory chips. Could you pick three tougher lines of business to be in right now? Somehow, with just such a portfolio, Samsung Electronics Co. managed to more than double its profits in the most recent quarter, to \$1.6 billion.

How? Once a humdrum manufacturer of commodity electronics largely sold under other companies' names, South Korea-based Samsung is reaping the rewards of moving aggressively into higher-end products that carry fatter profit margins. It has invested heavily to produce cutting-edge designs, from flat-panel TV monitors that can be hung on walls like paintings to an elegantly thin DVD player. The company moved up the memory-chip price chain to sell more devices to video game makers. And it became the No. 8 producer of cell phones, with a premium-priced line that includes handsets with color screens.

But just as critical as the turnover in product was the facelift Samsung gave its brand. Last year, it took a first stab at creating a new image with visually arresting ads such as

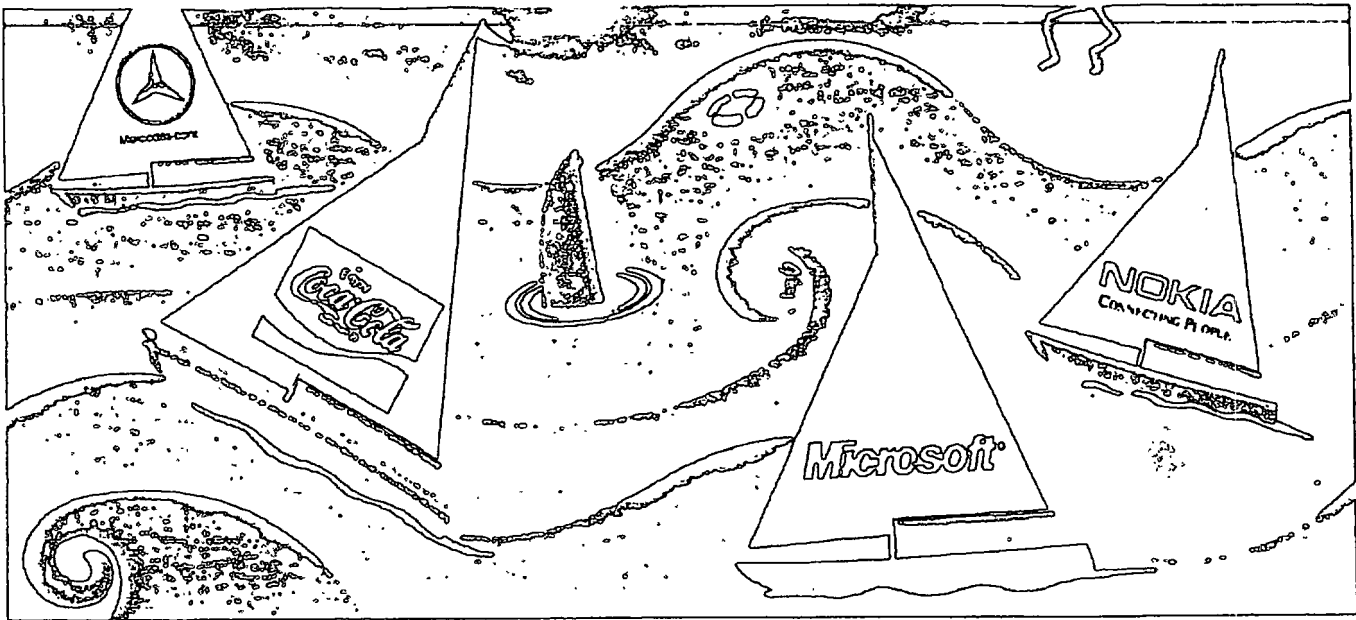
one that posed an impossibly stylish woman in blue makeup, yellow nail polish, and ostrich feathers next to one of its TV monitors. This year, it plans to spend \$200 million on ads focused on the company's promise to provide a "Digital Experience." That's an attempt to drive home the link between Samsung's new upscale image and the lifestyle its customers crave, says Eric B. Kim, executive vice-president for global marketing operations. Says Kim: "This is our first attempt to be at the leading edge rather than being a follower."

Now more than ever, companies see the power of a strong brand. At a time when battered investors, customers, and employees are questioning whom they can trust, the ability of a familiar brand to deliver proven value flows straight to the bottom line. If, shaken by the plummeting stock market and concerned about the security of their jobs, consumers start cutting back on spending, they're more likely to stick with names they know they can rely on. "When a brand earns our trust, we not only repeat our purchases, but we also tell all of our friends about it," says David Martin, U.S. president of New York-based In-

Special Report

92 *BusinessWeek* / August 5, 2002

As seen in BusinessWeek, August 5, 2002



THE BEST GLOBAL BRANDS

BusinessWeek and INTERBRAND tell you what they're worth

Wireless phones. Consumer electronics. Memory chips. Could you pick three tougher lines of business to be in right now? Somehow, with just such a portfolio, Samsung Electronics Co. managed to more than double its profits in the most recent quarter, to \$1.6 billion.

How? Once a humdrum manufacturer of commodity electronics largely sold under other companies' names, South Korea-based Samsung is reaping the rewards of moving aggressively into higher-end products that carry fatter profit margins. It has invested heavily to produce cutting-edge designs, from flat-panel TV monitors that can be hung on walls like paintings to an elegantly thin DVD player. The company moved up the memory-chip price chain to sell more devices to video game makers. And it became the No. 3 producer of cell phones, with a premium-priced line that includes handsets with color screens.

But just as critical as the turnover in product was the face-lift Samsung gave its brand. Last year, it took a first stab at creating a new image with visually arresting ads such as

one that posed an impossibly stylish woman in blue makeup, yellow nail polish, and ostrich feathers next to one of its TV monitors. This year, it plans to spend \$200 million on ads focused on the company's promise to provide a "DigitAll Experience." That's an attempt to drive home the link between Samsung's new upscale image and the lifestyle its customers crave, says Eric B. Kim, executive vice-president for global marketing operations. Says Kim: "This is our first attempt to be at the leading edge rather than being a follower."

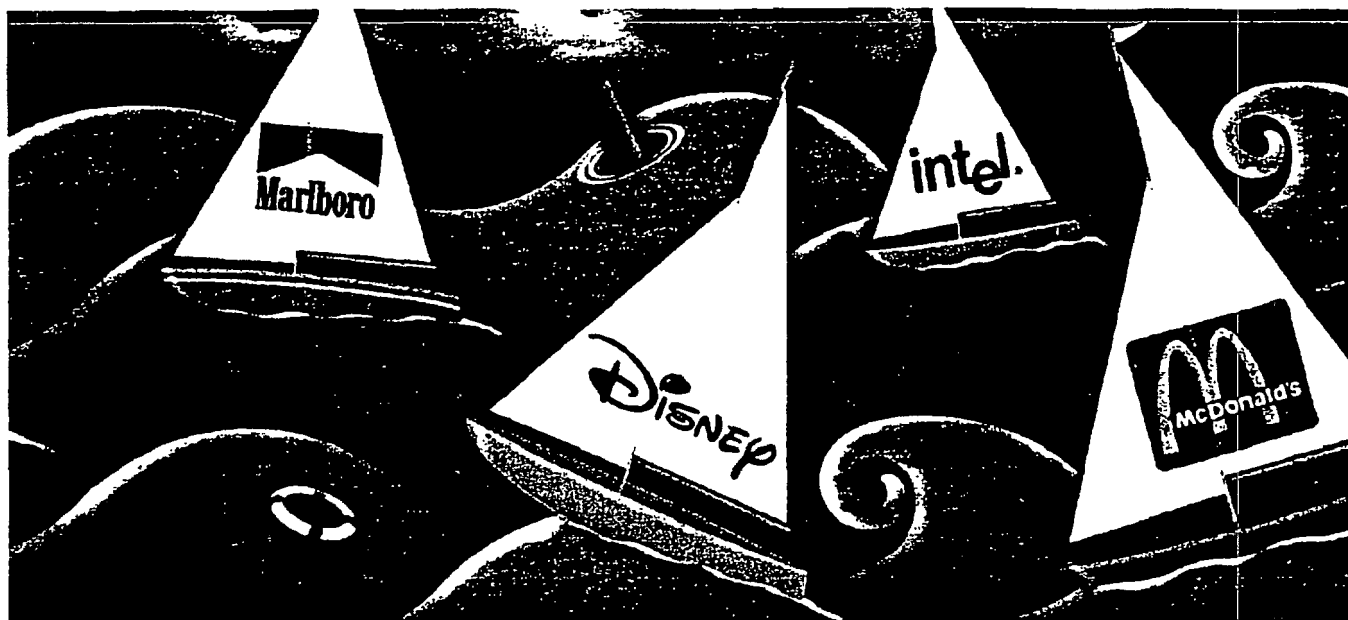
Now more than ever, companies see the power of a strong brand. At a time when battered investors, customers, and employees are questioning whom

they can trust, the ability of a familiar brand to deliver proven value flows straight to the bottom line. If, shaken by the plummeting stock market and concerned about the security of their jobs, consumers start cutting back on spending, they're more likely to stick with names they know they can rely on. "When a brand earns our trust, we not only repeat our purchases, but we also tell all of our friends about it," says David Martin, U.S. president of New York-based In-

Special Report

92 BusinessWeek / August 5, 2002

As seen in BusinessWeek, August 5, 2002



terbrand Corp., a pioneering brand consultant that teamed up with *BusinessWeek* to create our second annual ranking of the most valuable global brands.

Brands usually aren't listed on corporate balance sheets, but they can go further in determining a company's success than a new factory or technological breakthrough. That's because nurturing a strong brand, even in bad times, can allow companies to command premium prices. Purveyors of products ranging from Budweiser beer to BMW cars have been able to keep growing without succumbing to the pricing pressures of an intensely promotional environment. A strong brand also can open the door when growth depends on breaking into new markets. Starbucks Corp., among the fastest-growing brands, recently set up shop in Vienna, one of Europe's café capitals, and says 400 of its planned 1,200 new store openings this year will be overseas.

To sort out which global brands are holding their ground and which are crumbling, Interbrand and *BusinessWeek* created a ranking of the top 100 by dollar value. The list by Interbrand, a unit of Omnicom Group Inc., is based on the idea that strong brands have the power to lift sales and earnings. Interbrand attempts to figure out how much of a boost each brand delivers, how stable that boost is likely to be, and how much those future earnings are worth today. The value that is assigned is strictly for the products with the brand on them, not for others sold by that company. Therefore, Coca-Cola Co.—easily the top brand again this year, with a value approaching \$70 billion—is ranked just on those products carrying the Coke name, not Sprite or Powerade.

Because Interbrand relies on a rigorous analysis of cash flows rather than mere consumer perceptions to calculate brand values, changes in the business climate or a category's economics can have a strong impact on those values. An economic downturn can erode values even among companies that have resisted the temptation to cut marketing budgets, slash prices, or compromise on quality. In today's perilous eco-

nomie climate, it's no surprise, then, that 49 out of the 100 brands on our list—and 7 of the top 10—fell in value this year. That compares with 41 that dropped in value in our 2001 ranking. Some of the hardest-hit brands represent industries—telecommunications, finance, travel, and luxury goods—that have been body-slammed by the downturn.

Take Boeing Co., whose ambitious brand-influencing efforts—from advertising to relocating its headquarters from Seattle to Chicago—helped put it on the list last year at \$4 billion. But September 11's devastating impact on air travel almost instantly put on hold airlines' plans to expand their fleets, causing Boeing's hard-won brand value to plunge 27% this year, to \$3 billion—a billion dollars of value wiped out.

Still, some companies compounded the problems of a down economy with management missteps. AT&T plunged 30% in value, losing its place among the top 10 brands. The company spent hundreds of millions on aggressive, youth-oriented ads and upgraded the range of licensed products that bear the AT&T name in order to shed its stodgy Ma Bell image. But it didn't deliver enough exciting new products and services fast enough to sell customers on a "new" AT&T.

Amid the carnage, though, many companies found ways to add value to their brands. Samsung was easily the fastest-growing, its value rising an estimated 30% to \$8.3 billion. While Coke continues to struggle to get back its rhythm in the U.S., its sales are still growing in the developing world, buttressed by a strong

global marketing effort behind the World Cup. Thus, Coke eked out a 1% gain, adding \$700 million in brand value. Despite losing some highly publicized battles in the courtroom over its tobacco liability, Philip Morris Cos. saw its venerable Marlboro brand push into the Top 10, adding 10% to its value. The company used deep pockets to squeeze rival brands out of prime display positions in stores.

Other winners exploited their strong brands by launching extensions into new products and categories. Too often, new fla-

The World's 10 Most Valuable Brands

| RANK | BRAND | 2002 BRAND VALUE (\$BILLIONS) |
|------|------------|-------------------------------|
| 1 | COCA-COLA | 69.6 |
| 2 | MICROSOFT | 64.1 |
| 3 | IBM | 51.2 |
| 4 | GE | 41.3 |
| 5 | INTEL | 30.9 |
| 6 | NOKIA | 30.0 |
| 7 | DISNEY | 29.3 |
| 8 | MCDONALD'S | 26.4 |
| 9 | MARLBORO | 24.2 |
| 10 | MERCEDES | 21.0 |

Data: Interbrand Corp., J.P. Morgan Chase & Co.

As seen in BusinessWeek, August 5, 2002

vors, formulations, and packages wind up as barren exercises in market positioning that clog retail shelf space while offering consumers nothing truly different. But this year's ranking offers proof that the right line extensions can make a difference. H.J. Heinz Co. boosted its brand value by 4% with ingenious ways of driving consumer interest in ketchup, from squeezable bottles to

versions spiced up with flavors such as Smokey Mesquite. Dageo PLC's once-tired Smirnoff vodka brand scored a 5% gain thanks to the success of a citrus-flavored, single-serve drink, Smirnoff Ice. Positioned as a sophisticated alternative to beer, Ice not only became a hit with younger consumers but also enticed them into giving a second glance to the core brand, which got a lift.

The Nivea skin-care line shows how to strengthen a brand by branching out. Beiersdorf went further than a line extension or two in garnering a 16% brand-value rise for its unit. Starting with women's skin-care products and a carefully nurtured image of wholesomeness and natural ingredients, Nivea has moved into men's products, including deodorants, shampoos, and even a moisturizer dispensed from an electric razor. Nivea has dozens of products today, vs. a handful five years ago. "They are a classic example of how far you can go

SAMSUNG Heavy investment in design R&D has brought fatter profit margins



94 BusinessWeek / August 5, 2002

Winners

Samsung used bold designs to transform itself into a premium seller of consumer products. Baby boomers, meanwhile, pay Harley top dollar for a dash of rebel independence.

| RANK | BRAND | 2002 BRAND VALUE (\$BILLIONS) | 2001 BRAND VALUE (\$BILLIONS) | % CHANGE |
|------|-----------------|--|--|----------|
| 34 | SAMSUNG | 8.3 | 6.4 | +30 |
| 81 | NIVEA | 2.1 | 1.8 | +16 |
| 46 | HARLEY-DAVIDSON | 6.3 | 5.5 | +13 |
| 31 | DELL | 9.2 | 8.3 | +12 |
| 93 | STARBUCKS | 2.0 | 1.8 | +12 |

Data: Interbrand Corp., J.P. Morgan Chase & Co.

Losers

The telecom debacle cut the legs out from under Ericsson and AT&T. Boeing still hasn't recovered from September 11, and Merrill Lynch got mauled by the bear market.

| RANK | BRAND | 2002 BRAND VALUE (\$BILLIONS) | 2001 BRAND VALUE (\$BILLIONS) | % CHANGE |
|------|---------------|--|--|----------|
| 71 | ERICSSON | 3.6 | 7.1 | -49 |
| 11 | FORD | 20.4 | 30.1 | -32 |
| 17 | AT&T | 16.1 | 22.8 | -30 |
| 82 | BOEING | 3.0 | 4.1 | -27 |
| 25 | MERRILL LYNCH | 11.2 | 15.0 | -25 |

Data: Interbrand Corp., J.P. Morgan Chase & Co.

increase in brand value is so impressive. The PC maker gave its promotional ads an additional brand-building role. They feature an enthusiastic young character, "Steven," congratulating customers with "Dude, you're getting a Dell!"—driving home the point that customers can get exactly what they want at low prices. After years of making that point in a dry way, Steven brought "real personality to Dell," says Scott Helbing, the

DELL The enthusiastic "Steven" of recent ads helped boost the brand's value 12%

company's vice-president for global brand strategy.

But ads can take a brand only so far. And if their claims are not backed up by performance, the ads erode value. For that reason, employees are a crucial link to the consumer. If employees are motivated to reflect the core brand values in all their activities, that radiates out to customers, and on to friends and family. Such word-of-mouth endorsements—which in the Internet era can circle the globe instantly—can be far more convincing than any marketing campaign. Brand winners usually "have inculcated what's great about their companies up and down the organization," says Scott Bedbury, a former top marketer at Nike Inc. and Starbucks who now runs consultant Brandstream in Seattle.

Even the best corporate names are under attack these days. Still, those companies are reaping the benefits of years they spent building customer trust and honing images of quality and dependability. To weather an extended bout of distrust and instability, strong brands are crucial. Companies also will have to work doubly hard to keep them intact.

By Gerry Khernouch in New York

BusinessWeek online

For a video discussion of brand value and an interactive version of our scoreboard, go to the Aug. 5 edition online at www.businessweek.com

BOTTOM PHOTOGRAPH BY KIM PARKINSON

THE 100 TOP BRANDS

What's in a name? Plenty, if you play your cards right

It was a tough year to build a brand—or defend one against the corrosive effects of a bear market, financial scandals, and shifting consumer priorities. For proof, look no further than the fact that roughly half of the 100 global brands that Interbrand Corp. and *BusinessWeek* ranked this year fell in value compared with a year ago. In this environment, just holding your own is an accomplishment.

To qualify for our ranking, brands had to have a value greater than \$1 billion. They were selected according to two criteria: They had to be global in nature, deriving 20% or more of sales from outside their home country. They also had to have publicly available marketing and financial data on which to base the valuation. That excluded some big brands, such as Visa International, the BBC, and Mars.

How do you place a value on a brand? Some attempts rely on little more than opinion polls or ad spending. *BusinessWeek* selected Interbrand's method because it values brands the same way analysts value other assets: on the basis of how much they're likely to earn in the future. Those projected profits are then discounted to a present value based on how risky the projected earnings are—that is, the likelihood that they will in fact materialize.

To start the process, Interbrand first figures out what

percentage of overall revenues are accounted for by the power of the brand. Next, with the help of analysts from J.P. Morgan Chase & Co., Interbrand projects net earnings for that segment of the business. Interbrand then deducts a charge for the cost of owning the tangible assets, on the theory that whatever income is generated beyond that cost is due to intangible factors. This is the economic value added by things like patents, customer lists, and, of course, the brand.

The next step is to winnow the earnings generated by the brand from the earnings generated by other intangibles. For example, are people buying Shell gasoline because of the brand name or because the gas station is conveniently located? Interbrand uses market research and interviews with industry executives to sift through those variables.

The final phase is to analyze the strength of the brand to figure out how risky those future brand earnings are. To calculate the brand's strength, Interbrand looks at seven factors, including the brand's market leadership, its stability, and its ability to cross geographical and cultural borders. The risk analysis produces a discount rate that is applied to the brand earnings to come up with a net present value of the brand. *BusinessWeek* and Interbrand believe this figure comes closest to representing the true economic value of that complex array of forces that make up a brand.

Special Report

The Global Brand Scoreboard

| RANK | 2002 BRAND VALUE \$BILLIONS | 2001 BRAND VALUE \$BILLIONS | PERCENT CHANGE | COUNTRY OF OWNERSHIP | DESCRIPTION |
|--------------|-----------------------------------|-----------------------------------|-------------------|----------------------------|--|
| 1 COCA-COLA | 69.64 | 68.95 | +1% | U.S. | Still the best brand by far: Growth in the developing world, offset so-so new products like Diet Coke with Lemon. |
| 2 MICROSOFT | 64.09 | 65.07 | -2 | U.S. | Its name is still dragged through the courtroom, but the biggest challenge is stagnant PC purchases. |
| 3 IBM | 51.19 | 52.75 | -3 | U.S. | Good thing Big Blue was rebuilt on services, which remains the most promising segment for tech spending. |
| 4 GE | 41.31 | 42.40 | -3 | U.S. | The retirement of Jack Welch and angst over Corporate America took a toll on the GE name. |
| 5 INTEL | 30.86 | 34.67 | -11 | U.S. | "Intel Inside" put it on the map, but now the brand faces tough competition and sluggish PC sales. |
| 6 NOKIA | 29.97 | 35.04 | -14 | Finland | Still the cell-phone brand of choice among consumers, but overall sales of mobile handsets are weak. |
| 7 DISNEY | 29.26 | 32.59 | -10 | U.S. | Even monster hit <i>Monsters Inc.</i> couldn't compensate for a post-September 11 falloff at theme parks. |
| 8 McDONALD'S | 26.38 | 25.29 | +4 | U.S. | Who remembers Mad Cow disease? Global expansion continues as negative PR fades. |
| 9 MARLBORO | 24.15 | 22.05 | +10 | U.S. | The iconic brand uses line extensions and merchandising clout to overcome court challenges and skyrocketing price of cigs. |

Data: Interbrand Corp., J.P. Morgan Chase & Co., *BusinessWeek*

As seen in BusinessWeek, August 5, 2002

The Global Brand Scoreboard

| RANK | 2002 BRAND VALUE \$BILLIONS | 2001 BRAND VALUE \$BILLIONS | PERCENT CHANGE | COUNTRY OF OWNERSHIP | DESCRIPTION |
|----------------------|-----------------------------------|-----------------------------------|-------------------|----------------------------|---|
| 10. MERCEDES | 21.01 | 21.73 | -3 | Germany | The leading luxury car brand, but its low-end models suffered from poor reviews. |
| 11. FORD | 20.40 | 30.09 | -32 | U.S. | At least Ford admitted to pursuing strategies that were "poorly conceived or poorly timed." But where's the fix? |
| 12. TOYOTA | 19.45 | 18.58 | +5 | Japan | Cruising along after capturing broad mid-market appeal in the U.S., including new SUVs and pickups. |
| 13. CITIBANK | 18.07 | 19.01 | -5 | U.S. | A slowing U.S. economy and a hit from the Enron fiasco hurt both results and image. |
| 14. HEWLETT-PACKARD | 16.78 | 17.98 | -7 | U.S. | More and more, its printers are commodities. Bickering during the Compaq merger also didn't boost HP's image. |
| 15. AMERICAN EXPRESS | 16.29 | 16.92 | -4 | U.S. | Wary U.S. consumers, penny-pinching corporations, and white-hot competition in credit cards made it a tough year for the prestigious brand. |
| 16. CISCO | 16.22 | 17.21 | -6 | U.S. | The popping of the Internet bubble, and the plunge in telecom spending, drew down brand value. |
| 17. AT&T | 16.06 | 22.83 | -30 | U.S. | Nobody loves telecom these days. But at least it's faring better than WorldCom. |
| 18. HONDA | 15.06 | 14.64 | +3 | Japan | Solid, dependable, and nurturing a growing reputation for earth-friendly "hybrid" technology. |
| 19. GILLETTE | 14.96 | 15.30 | -2 | U.S. | The King of Blades is still gaining share, as higher marketing boosts the premium Mach 3 and Venus razors. |
| 20. BMW | 14.43 | 13.86 | +4 | Germany | Bold new designs—from the space-age 7-series sedan to the athletic X5 SUV—helped BMW boost sales and profit margins. |
| 21. SONY | 13.90 | 15.01 | -7 | Japan | Still known for its design flair, Sony gadgets have come under attack by Samsung. |
| 22. NESCAFE | 12.84 | 13.25 | -3 | Switzerland | Cheap instant coffee is losing favor as people consume more java outside the home. |
| 23. ORACLE | 11.51 | 12.22 | -6 | U.S. | Look out below: Oracle's value has eroded along with tech spending. |
| 24. BUDWEISER | 11.35 | 10.84 | +5 | U.S. | Nimble advertising for Bud and searing Bud Light gives it continued dominance in the U.S. and U.K. |
| 25. MERRILL LYNCH | 11.23 | 15.02 | -25 | U.S. | Investors have long memories, so Merrill's conflict-of-interest fiasco between bankers and analysts could linger. |
| 26. MORGAN STANLEY | 11.20 | N/A | N/A | U.S. | Few on Wall Street emerged unscathed from the earnings controversy, but Morgan Stanley also had a poor performance underwriting IPOs. |
| 27. COMPAQ | 9.80 | 12.35 | -21 | U.S. | A big grab for market share by Dell, coupled with the histrionics over Compaq's merger with HP, hurt a tired brand. |
| 28. PFIZER | 9.77 | 8.95 | +9 | U.S. | Pfizer took the high ground on a hot-button issue with initiative to sell reduced-price drugs. |
| 29. J.P. MORGAN | 9.69 | N/A | N/A | U.S. | The market was bad enough, but J.P. Morgan also had big negative exposure in the Enron collapse. |
| 30. KODAK | 9.67 | 10.80 | -10 | U.S. | Kodak so far hasn't transferred the equity from its longtime dominance of photo into the digital market. |
| 31. DELL | 9.24 | 8.27 | +12 | U.S. | Proved that its built-to-order business model works in bad times as well as good. |
| 32. NINTENDO | 9.22 | 9.46 | -3 | Japan | On top of the price battle faced by its GameCube, the handheld Game Boy Advance was only a middling success. |
| 33. MERCK | 9.14 | 9.67 | -6 | U.S. | Vioxx faces patent expiration and new-drug pipeline is dry. Now, investors are ill over accounting questions. |
| 34. SAMSUNG | 8.31 | 6.37 | +30 | S. Korea | Revved up brand value with brilliant product design and arresting marketing. |
| 35. NIKE | 7.72 | 7.59 | +2 | U.S. | Strides in penetrating soccer market, and signs it may do the same in golf, augur well for this premium brand. |
| 36. GAP | 7.41 | 8.75 | -15 | U.S. | Its slide accelerated as consumers turned elsewhere for cutting-edge styles or lower prices. |
| 37. HEINZ | 7.35 | 7.06 | +4 | U.S. | A classic brand that exploits core markets with memorable extensions in everything from ketchup to tuna. |
| 38. VOLKSWAGEN | 7.21 | 7.34 | -2 | Germany | Global car sales are down, and the new Beetle was not the megahit VW might have hoped for. |
| 39. GOLDMAN SACHS | 7.19 | 7.87 | -9 | U.S. | CEO Henry Paulson spoke out about declining corporate credibility, but so far it hasn't rubbed off on the Goldman brand. |

Data: Interbrand Corp., J.P. Morgan Chase & Co., BusinessWeek

As seen in BusinessWeek, August 5, 2002

The Global Brand Scoreboard

| RANK | 2002 BRAND VALUE \$BILLIONS | 2001 BRAND VALUE \$BILLIONS | PERCENT CHANGE | COUNTRY OF OWNERSHIP | DESCRIPTION | |
|------|-----------------------------------|-----------------------------------|-------------------|----------------------------|-------------|--|
| 40 | KELLOGG'S | 7.19 | 7.01 | +3 | U.S. | Stabs at innovation, and a Disney alliance that put Buzz Lightyear on cereal boxes, renewed the brand's relevance. |
| 41 | LOUIS VUITTON | 7.05 | 7.05 | 0 | France | Still a fashion must-have, particularly in Asia, but sales have been anemic because of post-September 11 travel decline. |
| 42 | SAP | 6.78 | 6.31 | +7 | Germany | SAP has delivered on theme, "The best-run e-businesses run SAP." The software maker benefited from a flight to established suppliers. |
| 43 | CANON | 6.72 | 6.68 | +2 | Japan | A reasonable performance in a camera market that is exhibiting almost no growth. And it's gaining on Xerox in copiers. |
| 44 | IKEA | 6.55 | 6.01 | +9 | Sweden | Resonant brand benefited from the weak economy, which made more customers willing to assemble their own tables. |
| 45 | PEPSI | 6.39 | 6.21 | +3 | U.S. | Innovations keep coming, like lemon-flavored Pepsi Twist. But biggest challenge is a consumer shift to bottled water and juices. |
| 46 | HARLEY-DAVIDSON | 6.27 | 5.53 | +13 | U.S. | Masterful job of selling Baby Boomers on a high-margin symbol of youthful rebellion. |
| 47 | MTV | 6.08 | 6.60 | -8 | U.S. | Phenomenal success of <i>The Osbournes</i> shows MTV still has its spark. Unfortunately, the ad market is dead. |
| 48 | PIZZA HUT | 6.05 | 6.00 | +1 | U.S. | Tough market, but the chain upgraded its restaurants and added new products like P-Zone, Twisted Crust, and Quad. |
| 49 | KFC | 5.35 | 5.26 | +2 | U.S. | Introduced Popcorn Chicken, new Chicken Twister sandwich, and restaurants co-branded with corporate sibling Pizza Hut. |
| 50 | APPLE | 5.32 | 5.46 | -3 | U.S. | A well-received new iMac couldn't overcome weak sales to consumers and design professionals. |
| 51 | XEROX | 5.31 | 6.02 | -12 | U.S. | Trying to dodge its stodgy image, with digital and high-speed copiers. But a financial cloud lingers. |
| 52 | GUCCI | 5.30 | 5.37 | -1 | Italy | The ongoing allure of lead designer Tom Ford could offset a slow start to 2002. |
| 53 | ACCENTURE | 5.18 | N/A | N/A | U.S. | In light of former parent Arthur Andersen's fate, Accenture's branding initiative looks like sheer brilliance. |
| 54 | L'OREAL | 5.08 | N/A | N/A | France | No slowdown here. The brand now gets more than half its sales outside Europe, thanks to smart acquisitions. |
| 55 | KLEENEX | 5.04 | 5.09 | -1 | U.S. | Kleenex held most of its value because of innovations like Kleenex Travelers, for car door pockets. |
| 56 | SUN | 4.78 | 5.15 | -7 | U.S. | Sun still leads in servers, but must deal with the implosion of the once-fertile dot-com sector. |
| 57 | WRIGLEY'S | 4.75 | 4.53 | +5 | U.S. | Innovations kept the Wrigley's brand fresh. Can "functional" products like tooth-cleaning gum add further shine? |
| 58 | REUTERS | 4.61 | 5.24 | -12 | Britain | Reuters lost considerable ground to Bloomberg as customers fled its old-fashioned image and poor service. |
| 59 | COLGATE | 4.60 | 4.57 | +1 | U.S. | A toothpaste/mouthwash combo and other novelties helped offset slipping share in other product areas. |
| 60 | PHILIPS | 4.56 | 4.90 | -7 | Netherlands | Potent in Europe but weak in North America, this brand was dogged by tough consumer-electronics markets and lackluster U.S. marketing. |
| 61 | NESTLE | 4.43 | N/A | N/A | Switzerland | The king of chocolate, cookies, and baby food is eating up U.S. ice cream with Dreyer's. |
| 62 | AVON | 4.40 | 4.37 | +1 | U.S. | A makeover of its sales force and product lines boosted U.S. sales. But Avon has stumbled with its foray into retail sales. |
| 63 | AOL | 4.33 | 4.50 | -4 | U.S. | Few signs of promised synergies following merger with Time Warner, and AOL's subscriber growth has slowed. |
| 64 | CHANEL | 4.27 | 4.27 | 0 | France | The perfume and fashion icon held its own in a tough global economy. |
| 65 | KRAFT | 4.08 | 4.03 | +1 | U.S. | Still dominates lineup stretching from cheese to salad dressing, and isn't afraid to use its muscle to get the best store display. |
| 66 | DANONE | 4.05 | N/A | N/A | France | No. 1 in yogurt outside the U.S. and No. 2 in water, Danone is well-positioned to benefit from health worries. |
| 67 | YAHOO! | 3.86 | 4.38 | -12 | U.S. | Forget the ad slump, Yahoo needs to prove it is relevant to consumers as they become more experienced at browsing. |
| 68 | ADIDAS | 3.69 | 3.66 | +1 | Germany | Benefited from World Cup fever, but still has little appeal among trend-setting black and Hispanic youth. |
| 69 | ROLEX | 3.69 | 3.70 | 0 | Switzerland | There's nothing like a classy watch in bad times. But improved sales must wait. |

Data: Interbrand Corp., J.P. Morgan Chase & Co., BusinessWeek

As seen in BusinessWeek, August 5, 2002

The Global Brand Scoreboard

| RANK | | 2002 BRAND VALUE \$BILLIONS | 2001 BRAND VALUE \$BILLIONS | PERCENT CHANGE | COUNTRY OF OWNERSHIP | DESCRIPTION |
|------|---------------------|-----------------------------------|-----------------------------------|-------------------|----------------------------|--|
| 70 | TIME | 3.68 | 3.72 | -1 | U.S. | Ads are way off but big news year has helped the magazine's reputation. |
| 71 | ERICSSON | 3.59 | 7.07 | -49 | Sweden | Ericsson keeps falling further behind Nokia, Samsung, and Motorola. |
| 72 | TIFFANY | 3.48 | 3.48 | 0 | U.S. | With sales down in Japan, the world's most famous jewelry retailer has had to sell more lower-priced gold and silver. |
| 73 | LEVI'S | 3.45 | 3.75 | -8 | U.S. | Until new designs hit store shelves, Levi's will continue to lose ground to youth-oriented labels. |
| 74 | MOTOROLA | 3.42 | 3.77 | -9 | U.S. | Suffered from softness in phone handsets and semiconductors, but its greater diversification was a hedge. |
| 75 | DURACELL | 3.41 | 4.14 | -18 | U.S. | Forced to spend heavily on promotions to hold onto market share, cutting profit margins. |
| 76 | BP | 3.39 | 3.24 | +4 | Britain | While efforts to recast itself as environmentally conscious are controversial, the BP brand is motoring along. |
| 77 | HERTZ | 3.36 | 3.62 | -7 | US | Rental car business suffered as more Americans stayed home. |
| 78 | BACARDI | 3.34 | 3.20 | +4 | Bermuda | Solid marketing and the cachet of its Cuban heritage have the rum brand on a growth track. |
| 79 | CATERPILLAR | 3.22 | N/A | N/A | U.S. | The No. 1 heavy-equipment brand has steamrolled into merchandise and clothing, playing off its rough-and-tumble image. |
| 80 | AMAZON.COM | 3.18 | 3.13 | +1 | U.S. | Amazon looks to extend its brand with more retail alliances like the ones it has with Target and Toys 'R' Us. |
| 81 | PANASONIC | 3.14 | 3.50 | -10 | Japan | It has overhauled product lines and chopped costs, but Panasonic hasn't been able to pull off a Samsung-like makeover. |
| 82 | BOEING | 2.97 | 4.06 | -27 | U.S. | The grounding of airlines last fall hit Boeing hard. Now it wants to be known as much for its space and defense businesses. |
| 83 | SHELL | 2.81 | 2.84 | -1 | Bnt./Neth | Ad spending got a boost in 2001, but the brand still has little exposure in the U.S. |
| 84 | SMIRNOFF | 2.72 | 2.59 | +5 | Britain | Smirnoff got a shot of relevance thanks to the explosive growth of ready-to-drink Smirnoff Ice. |
| 85 | JOHNSON & JOHNSON | 2.51 | N/A | N/A | U.S. | The strong image of caring built up by its baby products stood the company in good stead. |
| 86 | PRADA | 2.49 | N/A | N/A | Italy | Fashion exposure was helped by two high-profile store openings but poor market conditions have stalled moves to go public yet again. |
| 87 | MOET & CHANDON | 2.45 | 2.47 | -1 | France | The champagne brand should pick up fizz after clearing away unsold inventory from Millennium celebrations. |
| 88 | HEINEKEN | 2.40 | 2.27 | +6 | Netherlands | Its reputation for quality—and high profits—remains intact despite efforts to branch out through acquisitions. |
| 89 | MOBIL | 2.36 | 2.41 | -2 | U.S. | Tough year for any oil company, but Mobil's strong U.S. focus helped it fare better than most. |
| 90 | BURGER KING | 2.16 | 2.43 | -11 | U.S. | Diageo's poor supervision of franchisees led to inconsistent quality. Will a new owner do better? |
| 91 | NIVEA | 2.06 | 1.78 | +16 | Germany | Nivea capitalized on an image of wholesomeness to branch out beyond its core hand and body cream products. |
| 92 | WALL STREET JOURNAL | 1.96 | 2.18 | -10 | U.S. | Its staid format got a radical re-do, including color reproduction. But the Journal still got smacked by the ad recession. |
| 93 | STARBUCKS | 1.96 | 1.76 | +12 | U.S. | Starbucks hasn't stumbled yet. There are still gaps to fill in the U.S., as it gears up for expansion in Asia and Europe. |
| 94 | BARBIE | 1.94 | 2.04 | -5 | U.S. | Another year of brand erosion as little girls opted for more fashionable toys. |
| 95 | POLO RALPH LAUREN | 1.93 | 1.91 | +1 | U.S. | Modest growth and a U.S. focus helped this brand in a difficult year at the luxury end of the rag trade. |
| 96 | FEDEX | 1.92 | 1.89 | +2 | U.S. | FedEx consolidated its leadership and secured more flights into Hong Kong to service booming Asian markets. |
| 97 | JOHNNIE WALKER | 1.65 | 1.65 | 0 | Britain | "Keep walking" ad message focusing on personal journeys seemed to strike a chord with younger drinkers. |
| 98 | JACK DANIEL'S | 1.58 | 1.58 | 0 | U.S. | Jack Daniel's "birthday parties" celebrated the brand's 150th year. |
| 99 | 3M | 1.58 | N/A | N/A | US | In a world of commodities, 3M churns out continual innovation to command premium prices. |
| 100 | ARMANI | 1.51 | 1.49 | +1 | Italy | Twenty new stores slated to open from Milan to Hong Kong this year are helping overcome the downturn. |

Data: Interbrand Corp., J.P. Morgan Chase & Co., BusinessWeek

BusinessWeek / August 5, 2002 99

Creating and managing
brand value

Interbrand

Founded in 1974, Interbrand serves the world with 34 offices in 22 countries. Working in close partnership with our clients we combine the rigorous strategy and analysis of brand consulting with world-class design and creativity.

We offer a range of services including research, strategy, naming and verbal identity, corporate identity, package design, retail design, internal brand communications, corporate reporting, digital branding tools, integrated marketing services, and brand valuation.

We enable our clients to achieve greater success by helping them to create and manage brand value.

BusinessWeek online

New Search

GO

Advanced Search

BW HOME

BW MAGAZINE

TOP NEWS

INVESTING

GLOBAL BIZ

TECHNOLOGY

SMALL BIZ

B-SCHOOLS

CAREERS

Full Table of Contents

SPECIAL REPORT: THE 100 BEST BRANDS

Back to the August 5, 2002 Issue

Special Report: The 100 Best Brands

2002 Global Brands Scoreboard

The table that follows ranks 100 global brands that have a value greater than \$1 billion. The brands were selected according to two criteria. They had to be global in nature, deriving 20% or more of sales from outside their home country. There also had to be publicly available marketing and financial data on which to base the valuation.

Data provided by:

Interbrand

Click column heading once to reorder from highest to lowest. Click twice to reorder from lowest to highest.

| |
|---------------------|
| COLUMNS |
| FORUMS & CHATS |
| NEWSLETTERS |
| PERSONAL FINANCE |
| SEARCH & BROWSE |
| SPECIAL REPORTS |
| TOOLS & SCOREBOARDS |
| VIDEO VIEWS |

SAS

**COMPLIANCE
WEBCAST
REGISTER NOW**

Presented by
Business Finance
and SAS.

| 2002 Brand Rank | Brand Name | 2002 Brand Value (\$Mil) | 2001 Brand Value (\$Mil) | Change in Brand Value (%) | Parent Company |
|-----------------------|------------------|-----------------------------------|--------------------------------|---------------------------------|--|
| 1 | COCA-COLA | 69,637 | 68,945 | | 1 Coca-Cola Company |
| 2 | MICROSOFT | 64,091 | 65,068 | | -2 Microsoft Corp. |
| 3 | IBM | 51,188 | 52,752 | | -3 International Business Machines Corp. |
| 4 | GE | 41,311 | 42,396 | | -3 General Electric Company |
| 5 | INTEL | 30,861 | 34,665 | | -11 Intel Corp. |
| 6 | NOKIA | 29,970 | 35,035 | | -14 Nokia Corp. |
| 7 | DISNEY | 29,256 | 32,591 | | -10 Walt Disney Company |
| 8 | MCDONALD'S | 26,375 | 25,289 | | 4 McDonald's Corp. |
| 9 | MARLBORO | 24,151 | 22,053 | | 10 Philip Morris Companies Inc. |
| 10 | MERCEDES | 21,010 | 21,728 | | -3 DaimlerChrysler AG |
| 11 | FORD | 20,403 | 30,092 | | -32 Ford Motor Company |
| 12 | TOYOTA | 19,448 | 18,578 | | 5 Toyota Motor Corp. |
| 13 | CITIBANK | 18,066 | 19,005 | | -5 Citigroup Inc. |
| 14 | HEWLETT-PACKARD | 16,776 | 17,983 | | -7 Hewlett Packard Company |
| 15 | AMERICAN EXPRESS | 16,287 | 16,919 | | -4 American Express Company |
| 16 | CISCO | 16,222 | 17,209 | | -6 Cisco Systems Inc. |
| 17 | AT&T | 16,059 | 22,828 | | -30 AT&T Corp. |
| 18 | HONDA | 15,064 | 14,638 | | 3 Honda Motor Company |
| 19 | GILLETTE | 14,959 | 15,298 | | -2 Gillette Company |
| 20 | BMW | 14,425 | 13,858 | | 4 Bayerische Motoren Werke AG |
| 21 | SONY | 13,899 | 15,005 | | -7 Sony Corp. |
| 22 | NESCAFE | 12,843 | 13,250 | | -3 Nestlé S.A. |
| 23 | ORACLE | 11,510 | 12,224 | | -6 Oracle Corp. |
| 24 | BUDWEISER | 11,349 | 10,838 | | 5 Anheuser-Busch Companies, Inc. |
| 25 | MERRILL LYNCH | 11,230 | 15,015 | | -25 Merrill Lynch & Company, Inc. |
| 26 | MORGAN STANLEY | 11,205 | NA | | NA Morgan Stanley |
| 27 | COMPAQ | 9,803 | 12,354 | | -21 Hewlett Packard Company |
| 28 | PFIZER | 9,770 | 8,951 | | 9 Pfizer Inc. |
| 29 | JP MORGAN | 9,693 | NA | | NA JP Morgan Chase & Company |
| 30 | KODAK | 9,671 | 10,801 | | -10 Eastman Kodak, Inc. |
| 31 | DELL | 9,237 | 8,269 | | 12 Dell Corp. |
| 32 | NINTENDO | 9,219 | 9,460 | | -3 Nintendo Company, Ltd. |
| 33 | MERCK | 9,138 | 9,672 | | -6 Merck & Company |
| 34 | SAMSUNG | 8,310 | 6,374 | | 30 Samsung Electronics Co. Ltd. |

| | | | | | |
|----|-------------------|-------|-------|-----|--|
| 35 | NIKE | 7,724 | 7,589 | 2 | Nike Inc. |
| 36 | GAP | 7,406 | 8,746 | -15 | Gap Inc. |
| 37 | HEINZ | 7,347 | 7,062 | 4 | HJ Heinz Company |
| 38 | VOLKSWAGEN | 7,209 | 7,338 | -2 | Volkswagen AG |
| 39 | GOLDMAN SACHS | 7,194 | 7,862 | -9 | Goldman Sachs Group, Inc. |
| 40 | KELLOGG'S | 7,191 | 7,005 | 3 | Kellogg Company |
| 41 | LOUIS VUITTON | 7,054 | 7,053 | 0 | LVMH Moët Hennessy Louis Vuitton |
| 42 | SAP | 6,775 | 6,307 | 7 | SAP AG |
| 43 | CANON | 6,721 | 6,580 | 2 | Canon, Inc. |
| 44 | IKEA | 6,545 | 6,005 | 9 | Ikea International A/S |
| 45 | PEPSI | 6,394 | 6,214 | 3 | Pepsico, Inc. |
| 46 | HARLEY DAVIDSON | 6,266 | 5,532 | 13 | Harley Davidson, Inc. |
| 47 | MTV | 6,078 | 6,599 | -8 | Viacom, Inc. |
| 48 | PIZZA HUT | 6,046 | 5,978 | 1 | Yum! Brands, Inc. |
| 49 | KFC | 5,346 | 5,261 | 2 | Yum! Brands, Inc. |
| 50 | APPLE | 5,316 | 5,464 | -3 | Apple Computer, Inc. |
| 51 | XEROX | 5,308 | 6,019 | -12 | Xerox Corp. |
| 52 | GUCCI | 5,304 | 5,363 | -1 | Gucci Group N.V. |
| 53 | ACCENTURE | 5,182 | NA | NA | Accenture Ltd. |
| 54 | L'OREAL | 5,079 | NA | NA | L'Oréal SA |
| 55 | KLEENEX | 5,039 | 5,085 | -1 | Kimberly Clark Corp. |
| 56 | SUN | 4,773 | 5,149 | -7 | Sun Microsystems, Inc. |
| 57 | WRIGLEY'S | 4,747 | 4,530 | 5 | W M. Wrigley Jr. Company |
| 58 | REUTERS | 4,611 | 5,236 | -12 | Reuters Group PLC |
| 59 | COLGATE | 4,602 | 4,572 | 1 | Colgate Palmolive Company |
| 60 | PHILIPS | 4,561 | 4,900 | -7 | Koninklijke Philips Electronics N.V. |
| 61 | NESTLE | 4,430 | NA | NA | Nestlé S.A. |
| 62 | AVON | 4,399 | 4,369 | 1 | Avon Products |
| 63 | AOL | 4,326 | 4,495 | -4 | AOL Time Warner, Inc. |
| 64 | CHANEL | 4,272 | 4,265 | 0 | Chanel S.A. |
| 65 | KRAFT | 4,079 | 4,032 | 1 | Kraft Foods Inc |
| 66 | DANONE | 4,054 | NA | NA | Groupe Danone |
| 67 | YAHOO! | 3,855 | 4,378 | -12 | Yahoo! Inc. |
| 68 | ADIDAS | 3,690 | 3,650 | 1 | Adidas AG |
| 69 | ROLEX | 3,686 | 3,701 | 0 | Montres Rolex S.A. |
| 70 | TIME | 3,682 | 3,724 | -1 | AOL Time Warner, Inc. |
| 71 | ERICSSON | 3,589 | 7,069 | -49 | Telefonaktiebolaget LM Ericsson |
| 72 | TIFFANY | 3,482 | 3,483 | 0 | Tiffany & Company |
| 73 | LEVI'S | 3,454 | 3,747 | -8 | Levis Strauss & Co. |
| 74 | MOTOROLA | 3,416 | 3,761 | -9 | Motorola Inc. |
| 75 | DURACELL | 3,409 | 4,140 | -18 | Gillette Company |
| 76 | BP | 3,390 | 3,247 | 4 | BP PLC |
| 77 | HERTZ | 3,362 | 3,617 | -7 | Ford Motor Company |
| 78 | BACARDI | 3,341 | 3,204 | 4 | Bacardi & Company Limited |
| 79 | CATERPILLAR | 3,218 | NA | NA | Caterpillar Inc. |
| 80 | AMAZON.COM | 3,175 | 3,130 | 1 | Amazon.com Inc. |
| 81 | PANASONIC | 3,141 | 3,490 | -10 | Matsushita Electric Industrial Company |
| 82 | BOEING | 2,973 | 4,060 | -27 | Boeing Company |
| 83 | SHELL | 2,810 | 2,844 | -1 | Royal Dutch Petroleum Company |
| 84 | SMIRNOFF | 2,723 | 2,594 | 5 | Diageo PLC |
| 85 | JOHNSON & JOHNSON | 2,509 | NA | NA | Johnson & Johnson |
| 86 | PRADA | 2,489 | NA | NA | I Pellettieri d'Italia S.p.A. |
| 87 | MOET & CHANDON | 2,445 | 2,470 | -1 | LVMH Moët Hennessy Louis Vuitton |
| 88 | HEINEKEN | 2,396 | 2,266 | 6 | Heineken NV |
| 89 | MOBIL | 2,358 | 2,415 | -2 | Exxon Mobil Corp. |
| 90 | BURGER KING | 2,163 | 2,426 | -11 | Diageo PLC |
| 91 | NIVEA | 2,059 | 1,782 | 16 | Beiersdorf AG |
| 92 | WALL ST. JOURNAL | 1,961 | 2,184 | -10 | Dow Jones & Company Inc. |
| 93 | STARBUCKS | 1,961 | 1,757 | 12 | Starbucks Corp. |
| 94 | BARBIE | 1,937 | 2,037 | -5 | Mattel Inc. |

| | | | | | |
|-----|-------------------|-------|-------|----|-------------------------|
| 95 | POLO RALPH LAUREN | 1,928 | 1,910 | 1 | Polo Ralph Lauren Corp. |
| 96 | FEDEX | 1,919 | 1,885 | 2 | Fedex Corp. |
| 97 | JOHNNIE WALKER | 1,654 | 1,649 | 0 | Diageo PLC |
| 98 | JACK DANIELS | 1,580 | 1,583 | 0 | Brown-Forman Corp. |
| 99 | 3M | 1,579 | NA | NA | 3M Company |
| 100 | ARMANI | 1,509 | 1,490 | 1 | Giorgio Armani S.p.A. |

The McGraw-Hill Companies

Copyright 2000-2005 by The McGraw-Hill Companies Inc. All rights reserved.
Terms of Use | Privacy Notice

Creating and managing
brand value

Interbrand

As seen in Business Week, August 2003

Special Report

THE 100
TOP BRANDS

Here's how we calculate the power in a name

To rank the world's 100 most valuable global brands, we set three hurdles that all contenders have to meet to merit consideration.

First, they must have brand values greater than \$1 billion. They also have to be global in nature, meaning they must derive at least a third of their sales from outside their home countries and have significant distribution throughout the Americas, Europe, and Asia. Finally, they must have publicly available marketing and financial data. That excluded some big brands, such as Visa International, the BBC, and Mars.

How do you place a value on a brand? Some attempts rely on little more than opinion polls or ad spending. *BusinessWeek* selected Interbrand's method because it values brands the same way analysts value other assets: on the basis of how much they're likely to earn in the future. Those projected

profits are then discounted to a present value based on how risky the projected earnings are—that is, the likelihood that they will, in fact, materialize.

To start the process, Interbrand first figures out what the brand's overall sales are. (The brand may be almost the entire company, as in the case of McDonald's Corp. For others, such as Marlboro, it may be just a portion.) Next, with the help of analysts from J.P. Morgan Chase & Co., Citigroup, and Morgan Stanley, Interbrand projects net earnings for the brand. It then deducts a charge for the cost of owning the tangible assets, on the theory that whatever income is generated beyond that cost is due to intangible factors. This is the economic value added by things like patents, customer lists, and, of course, the brand.

The next step is to winnow the earnings generated by the brand from the

earnings generated by other intangibles. For example, are people buying Shell gasoline because of the brand name or because the gas station is conveniently located? Interbrand uses market research and interviews with industry executives to sift through those variables.

The final phase is to analyze the strength of the brand to figure out how risky those future brand earnings are. To calculate the brand's strength, Interbrand looks at seven factors, including the brand's market leadership, its stability, and its ability to cross geographic and cultural borders. The risk analysis produces a discount rate that is applied to the brand earnings to come up with a net present value. *BusinessWeek* and Interbrand believe this figure comes closest to representing the true economic value of that complex array of forces that make up a brand.

Special Report

THE 100 TOP BRANDS

Here's how we calculate the power in a name

To rank the world's 100 most valuable global brands, we set three hurdles that all contenders have to meet to merit consideration.

First, they must have brand values greater than \$1 billion. They also have to be global in nature, meaning they must derive at least a third of their sales from outside their home countries and have significant distribution throughout the Americas, Europe, and Asia. Finally, they must have publicly available marketing and financial data. That excluded some big brands, such as Visa International, the BBC, and Mars.

How do you place a value on a brand? Some attempts rely on little more than opinion polls or ad spending. *BusinessWeek* selected Interbrand's method because it values brands the same way analysts value other assets: on the basis of how much they're likely to earn in the future. Those projected

profits are then discounted to a present value based on how risky the projected earnings are—that is, the likelihood that they will, in fact, materialize.

To start the process, Interbrand first figures out what the brand's overall sales are. (The brand may be almost the entire company, as in the case of McDonald's Corp. For others, such as Marlboro, it may be just a portion.) Next, with the help of analysts from J.P. Morgan Chase & Co., Citigroup, and Morgan Stanley, Interbrand projects net earnings for the brand. It then deducts a charge for the cost of owning the tangible assets, on the theory that whatever income is generated beyond that cost is due to intangible factors. This is the economic value added by things like patents, customer lists, and, of course, the brand.

The next step is to winnow the earnings generated by the brand from the

earnings generated by other intangibles. For example, are people buying Shell gasoline because of the brand name or because the gas station is conveniently located? Interbrand uses market research and interviews with industry executives to sift through those variables.

The final phase is to analyze the strength of the brand to figure out how risky those future brand earnings are. To calculate the brand's strength, Interbrand looks at seven factors, including the brand's market leadership, its stability, and its ability to cross geographic and cultural borders. The risk analysis produces a discount rate that is applied to the brand earnings to come up with a net present value. *BusinessWeek* and Interbrand believe this figure comes closest to representing the true economic value of that complex array of forces that make up a brand.

The Global Brand Scoreboard

| RANK | 2003 BRAND VALUE \$BILLIONS | 2002 BRAND VALUE \$BILLIONS | PERCENT CHANGE | COUNTRY OF OWNERSHIP | DESCRIPTION |
|--------------|-----------------------------------|-----------------------------------|-------------------|----------------------------|---|
| 1 COCA-COLA | 70.45 | 69.64 | +1% | U.S. | New variations such as Vanilla Coke and a lemon-flavored diet drink helped the soft-drink icon remain bubbly. |
| 2 MICROSOFT | 65.17 | 64.09 | +2 | U.S. | The software giant shifted its advertising to build the brand, not just sell products, at a time when most rivals were suffering. |
| 3 IBM | 51.77 | 51.19 | +1 | U.S. | Big Blue gained recognition in new markets, partly thanks to an \$800 million marketing campaign pushing e-business on demand. |
| 4 GE | 42.34 | 41.31 | +2 | U.S. | Getting double-digit growth is harder, but in tough times, the brand that Edison built held its own. |
| 5 INTEL | 31.11 | 30.86 | +1 | U.S. | With Intel Inside and Wi-Fi out to take over the world, the chipmaker's Centrino wireless notebook package delivered a powerful punch. |
| 6 NOKIA | 29.44 | 29.97 | -2 | Finland | Still the world's leading mobile-phone maker, Nokia faced stiff challenges from fast-riser Samsung and a growing crop of operator-branded phones. |
| 7 DISNEY | 28.04 | 29.26 | -4 | U.S. | Not the Happiest Place on Earth as Disney Stores were up for sale, ABC overhauled prime time, and travel woes sapped theme parks. |
| 8 McDONALD'S | 24.70 | 26.38 | -6 | U.S. | Mixed-up orders and dirty restaurants hurt the brand. New business is recovering somewhat behind a renewed focus on service and salads. |
| 9 MARLBORO | 22.18 | 24.15 | -8 | U.S. | Under siege from smoking bans and lawsuits, the Marlboro Man was looking like a fugitive. |
| 10 MERCEDES | 21.37 | 21.01 | +2 | Germany | The luxury auto maker crafts the sumptuous sedans the rich and famous love to buy—and ordinary consumers dream of owning. |

As seen in Business Week, August 2003

The Global Brand Scoreboard

| RANK | 2002 BRAND VALUE \$BILLIONS | 2001 BRAND VALUE \$BILLIONS | PERCENT CHANGE | COUNTRY OF OWNERSHIP | DESCRIPTION |
|---------------------|-----------------------------------|-----------------------------------|-------------------|----------------------------|---|
| 11 TOYOTA | 20.78 | 19.45 | +7 | Japan | Always solid, if stodgy, Toyota stole a march on Honda with aggressive moves into eco-friendly hybrid cars and low-priced models for younger buyers. |
| 12 HEWLETT-PACKARD | 19.86 | 16.78 | +18 | U.S. | Many feared the next Titanic when it acquired Compaq last year, but HP emerged relatively unscathed and more profitable than before. |
| 13 CITIBANK | 18.57 | 18.07 | +3 | U.S. | Latest phase of its successful "Live Richly" campaign included ads shot in 17 countries, characterizing a firm with global reach but a down-home flavor. |
| 14 FORD | 17.07 | 20.40 | -16 | U.S. | Sky-high rebates and 0% financing took some of the shine off Bill Ford's lineup; sizzly new SUVs from Japan and Europe are stealing more thunder. |
| 15 AMERICAN EXPRESS | 16.83 | 16.29 | +3 | U.S. | American Express punched up ad spending to target retail customers. Now they use cards to pay for groceries, gas, even rent. |
| 16 GILLETTE | 15.98 | 14.96 | +7 | U.S. | In an era of falling consumer prices, the King of Blades still managed to get shavers to pay premium prices. |
| 17 CISCO | 15.79 | 16.22 | -3 | U.S. | It played the downturn beautifully to generate record profits. But the brand was still mired in the networking depression that followed the Net boom. |
| 18 HONDA | 15.63 | 15.06 | +4 | Japan | Sagging sales in its home Japanese market have yet to dent its renown for reliable, dependable products. |
| 19 BMW | 15.11 | 14.43 | +5 | Germany | The Ultimate Driving Machines are fast, fun, stylish—and now come in more flavors. A rapidly expanding lineup primed global growth. |
| 20 SONY | 13.15 | 13.90 | -5 | Japan | Still the platinum brand in gizmos, but rivals Panasonic and Samsung were catching up with snazzy cell phones, digital cameras, and flat-panel TVs. |
| 21 NESCAFE | 12.34 | 12.84 | -4 | Switzerland | The world's favorite instant coffee advertised heavily to attract younger coffee drinkers. |
| 22 BUDWEISER | 11.89 | 11.35 | +5 | U.S. | The King of Beers continued to swipe market share, despite rivals' wacky ad campaigns built around twins and female mud wrestling. |
| 23 PEPSI | 11.78 | 11.14 | +6 | U.S. | With innovations like Twist, Wild Cherry, and Pepsi Blue, this fizzy rival was determined to catch up with Coke. |
| 24 ORACLE | 11.26 | 11.51 | -2 | U.S. | The software giant had always been a Silicon Valley maverick. Now add "corporate raider" to the long list of adjectives. |
| 25 SAMSUNG | 10.85 | 8.31 | +31 | S. Korea | Riding the electronics industry's shift to digital products, it wowed consumers with a blizzard of feature-packed gadgets and leading-edge chips. |
| 26 MORGAN STANLEY | 10.69 | 11.21 | -5 | U.S. | Once a seemingly invincible white-shoe firm, it struggled to rise above Wall Street's scandals involving analysts' investment-banking conflicts. |
| 27 MERRILL LYNCH | 10.52 | 11.23 | -6 | U.S. | Merrill sought to escape the tamish of scandals, while its retail business tried to move beyond its rep as a thundering herd of brokers. |
| 28 PFIZER | 10.46 | 9.77 | +7 | U.S. | A master acquirer and marketer, it leveraged a stable of top-selling drugs that includes Viagra and Lipitor, the world's sales leader. |
| 29 DELL | 10.37 | 9.24 | +12 | U.S. | Arrogant pitchman Steven is gone, but that didn't slow the pace of PC sales or assaults on new markets like printers and PDAs. |
| 30 MERCK | 9.41 | 9.14 | +3 | U.S. | Patent expirations dampened earnings growth, but Merck continued to cultivate its image as a research leader. |
| 31 JPMORGAN | 9.12 | 9.69 | -6 | U.S. | Viewed by many as the banker's bank, it suffered from corporate scandals and a slump in mergers and IPOs. Heavy exposure to derivatives is also a dark cloud. |
| 32 NINTENDO | 8.19 | 9.22 | -11 | Japan | This former master of the video-game universe saw its empire shrink in the wake of an onslaught from Sony's PlayStation and Microsoft's Xbox. |
| 33 NIKE | 8.17 | 7.72 | +6 | U.S. | An extreme marketing effort during soccer's World Cup and tie-in to Tiger Woods showed there's more to sporting goods than basketball shoes. |
| 34 KODAK | 7.83 | 9.67 | -19 | U.S. | Steadily falling film sales and a sputtering digital strategy could mean that Kodak's moment has passed. |
| 35 SAP | 7.71 | 6.78 | +14 | Germany | Behind sharper marketing and a strong sailing tie-in, the German software giant survived the tech downturn looking more solid than ever. |
| 36 GAP | 7.69 | 7.41 | +4 | U.S. | Bright colors and a fresh new ad campaign helped lift it out of a sales swoon. |
| 37 HSBC | 7.57 | N/A | N/A | Britain | The 138-year-old lender's frugal management built the world's second-largest retail bank through acquisitions in the U.S., Europe, and developing markets. |
| 38 KELLOGG'S | 7.44 | 7.19 | +3 | U.S. | Boosted market share by sprinkling fruits into its flakes and pepping up marketing with pitchmen like Disney's Winnie the Pooh. |
| 39 CANON | 7.19 | 6.72 | +7 | Japan | Already the world's top copier and laser-printer company, it emerged as a major force in digital cameras, too. |

*Pepsi's 2002 brand-value data was revised upward due to new data.